FREIGHT TRAFFIC: SHIPPER FORECASTS FOR 1971

December 28, 1970

RAILWAY AGE

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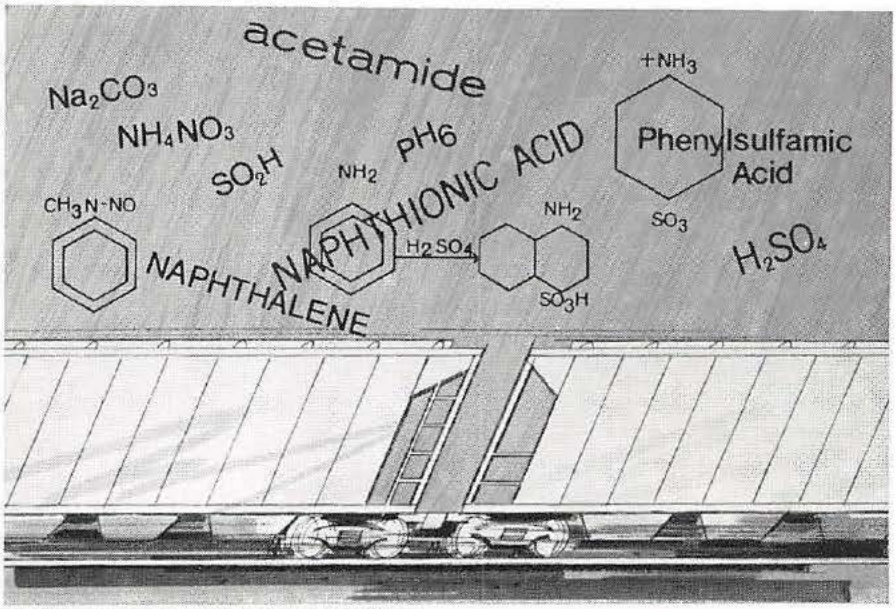

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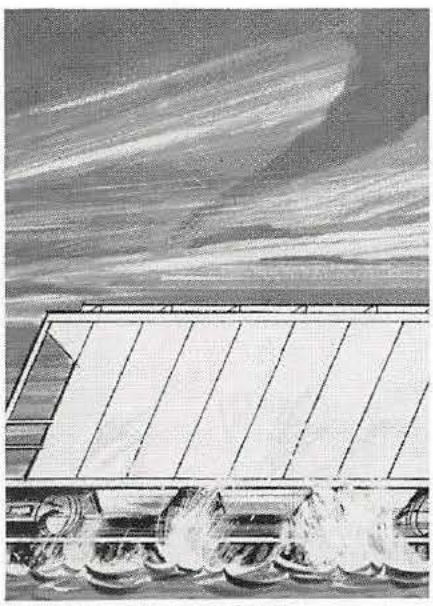
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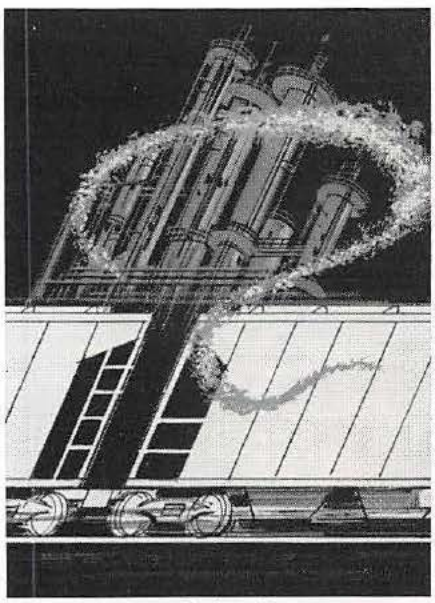
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December 28, 1970 • Vol. 169 No. 12

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Inside

LUTHER MILLER

A YEAR OF PARADOXES . . .

The railroad industry is full of paradoxes. The current issue of Railway Age amply (and, to the uninitiated, bewilderingly) reflects them. Consider the following stories that appear in this wind-up issue of 1970:

—We report (p. 21) that railroads have just completed the richest year in their history, in terms of gross revenues—but it is also our duty to report, in the same item, that this has been, over-all, the poorest year for railroads since the Great Depression.

—The cover story on the L&N (p. 36) is about a railroad that, in terms of both present and potential performance, can accurately be described as "a prize in anybody's book." But another story (p. 21) reports that the nation's largest rail carrier, already in bankruptcy, is so starved for cash that it faces the imminent threat of shutdown, barring a massive dose of Federal aid.

—The December Traffic Poll (p. 33) quotes shippers who complain bitterly about rates and service, and say they may have to seek cheaper, more reliable modes. But with the next stroke of the keyboard (p. 34), we are writing about a shipper that is spending $57 million a year with railroads, and hopes to spend more.

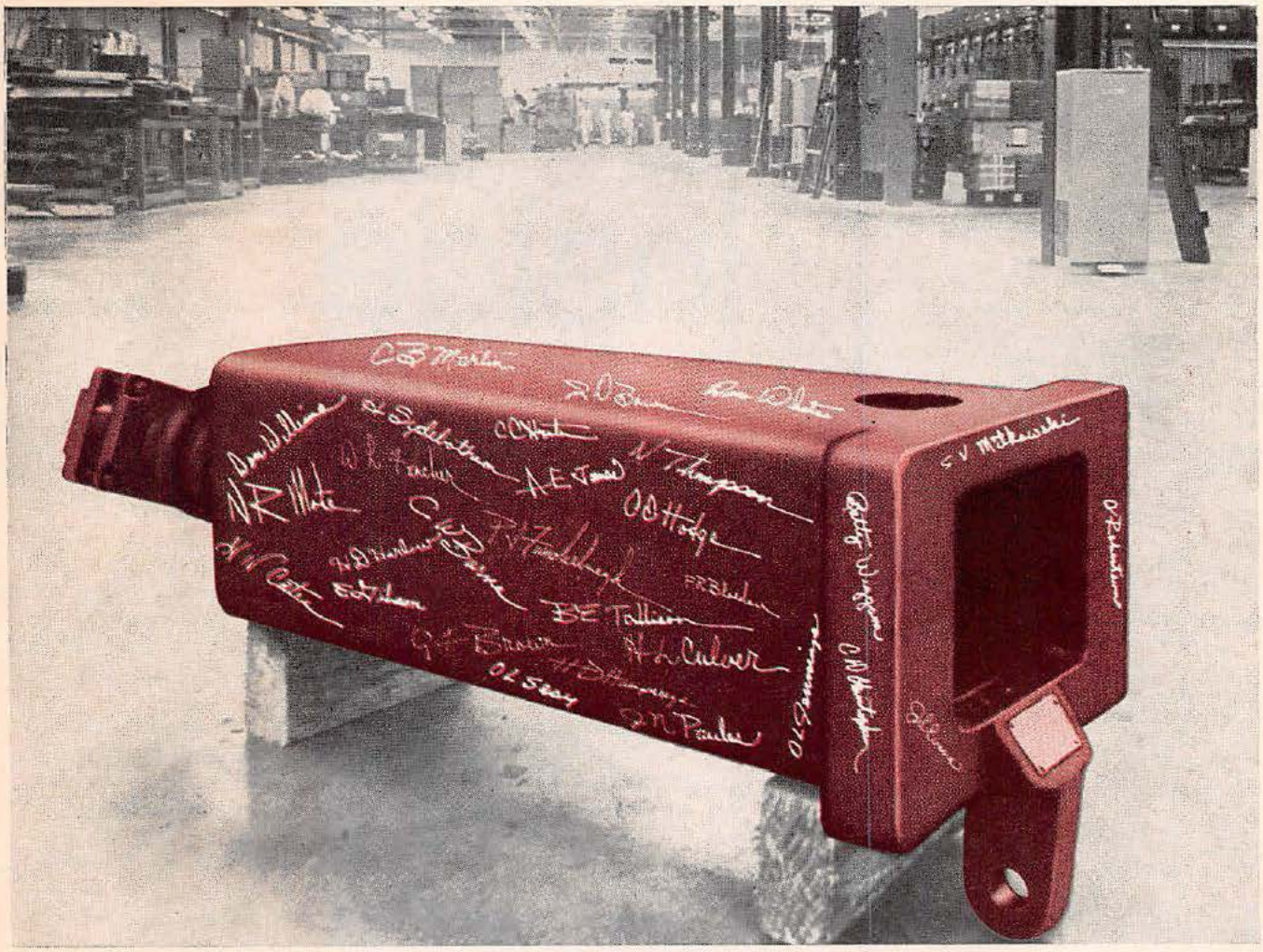
. . . AND WHAT IT ADDS UP TO

All of this means simply that railroading is not, actually, "an industry" at all, but 73 different industries. Every Class I road differs from every other Class I road. We have rich railroads, blessed by geography and circumstance, and we have poor ones, plagued by advanced diseases that are only symptomatic elsewhere.

But no railroad can operate as an island; if we are to have a strong basic railroad network, we cannot afford to have one faltering partner. As of this writing, we have about two dozen that are over, at, or near the brink of crisis.

In his recent address before the National Press Club in Washington (p. 22), Southern Pacific President Benjamin F. Biaggini identified one of the most baffling paradoxes of them all. He noted that "since the end of World War II the Federal government has spent more than $77 billion while state and local governments have expended over $203 billion maintaining and expanding transport capacity, almost exclusively for modes of transport other than railroads." Railroads, though carrying 40% of the freight, have been left to shift for themselves. (If paradox is, as Webster's says, something seemingly opposed to common sense, this one must take the prize.)

When this paradox is resolved, the others may fade away. And the best way to resolve it, as Biaggini suggested, is through implementation of the ASTRO report.



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RAILWAY AGE

DECEMBER 28, 1970

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Short and Significant

THE INDUSTRY

SCL SEEKS FULL OWNERSHIP OF L&N

Seaboard Coast Line, which already has 33% control of the Louisville & Nashville, now proposes to acquire full ownership of the L&N. A plan announced in New York Dec. 17 contemplates exchange of 2.45 shares of Seaboard Coast Line Industries Inc. for each share of L&N common. SCL President Prime F. Osborn was quoted as saying that while no merger was planned, the full-control proposal held out "more opportunity for better rail service and there would be balance sheet effects."

CNJ RIDES OUT A CRISIS

The bankrupt Central of New Jersey's most recent cash crisis, which at one time threatened to shut down operations, appears to have been eased. The State of New Jersey accelerated payment of its annual commuter subsidy by $600,000, and in a companion action the New Jersey legislature passed a bill providing a $2 million subsidy for N.J.

TAG WILL BECOME SOUTHERN SUBSIDIARY

The ICC has authorized the Southern to acquire stock control of the 92-mile Tennessee, Alabama & Georgia, which operates between Chattanooga, Tenn., and Gadsden, Ala. Southern will exchange 3/10ths of a share of its no par common for each share of TAG common tendered. Over 99.99% of the TAG shares have been tendered and placed in escrow pending the Jan. 1, 1971, closing date of the exchange offer. Southern will operate TAG as a subsidiary. Garrison Siskin will continue to serve as chairman of TAG.

RAILPAX MAPS: A CLARIFICATION

In a series of maps published in the Dec. 14 issue of Railway Age (pp. 27, 28, 29), showing alternate routes between proposed Railpax "city pairs," the carriers which **could** be used on these routes were indicated. It was not intended to suggest that these carriers had actually been designated by the Department of Transportation.

WASHINGTON

VOLPE SEES 25-30% GROWTH FOR RAILS

Present trends indicate the U.S. will have to double its present transportation capacity within the next 15 years, says Transportation Secretary John A. Volpe. How will the various modes participate in this growth? Says Volpe: "We fully expect a 300% increase in air passenger miles over the next 10 years, and 400% by 1985. Projections show automotive traffic rising 50% by 1980. They clearly indicate that trucks will be hauling 50% more freight 10 years hence. Even the railroads, in spite of their troubles, have been averaging about 38 million more ton-miles every day over the last 30 years —and that could mean 25 or 30% growth if continued over the next decade."

RAIL, MOTOR COST FORMULAS REVISED

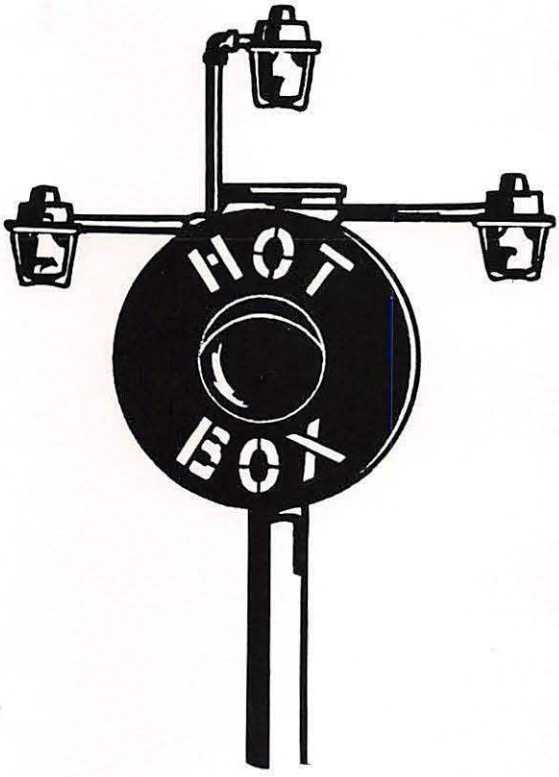
To implement the findings in Docket 34013, Rules to Govern the Assembling and Presentation of Cost Evidence, the ICC is revising the Rail and Motor Carrier Cost Formulas. Railroad Form A is being revised as follows: (1) Provision for federal income taxes will be deleted from both variable costs and fully allocated costs; (2) an allowance will be made to provide for actual interest expense plus a cost for equity capital computed at the average rate of interest on outstanding debt; (3) the passenger and LCL deficits excluded from full allocation.

AAR CLARIFIES SINGLE-AGENCY STAND

Directors of the Association of American Railroads believe that the ICC has been the target of "much unjustified criticism"—and they want to make it clear that their own advocacy of a single regulatory agency should not be construed as lending support to this criticism. In a resolution approved at their Dec. 15 meeting, AAR directors declared that "what is needed to achieve for the public the most economical and efficient national transportation system is a revision of the outmoded and discriminatory policies and laws govering transportation rather than continued attacks on a body of dedicated public servants."

ICC WILL PROBE RAILROAD RATE STRUCTURE

In Ex Parte No. 270, Investigation of Railroad Freight Rate Structure, the ICC plans to explore "the possible self-defeating nature of general rate increases with respect to generating revenues; disparities and distortions in the basic rate structure; uneven effects of rate increases on individual railroads, and lack of railroad incentive to improve services in line with shipper requirements." The ICC also announced a second proceeding, Ex Parte No. 271, in which it will investigate whether net investment as now used, or some other rate base, is the proper basis for measuring rate of return.



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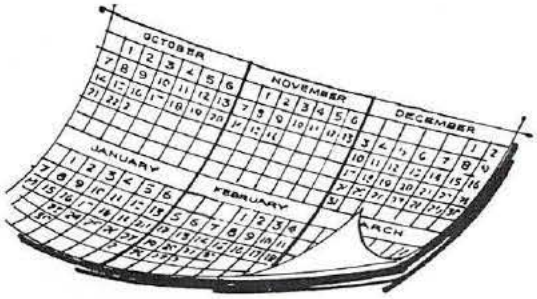

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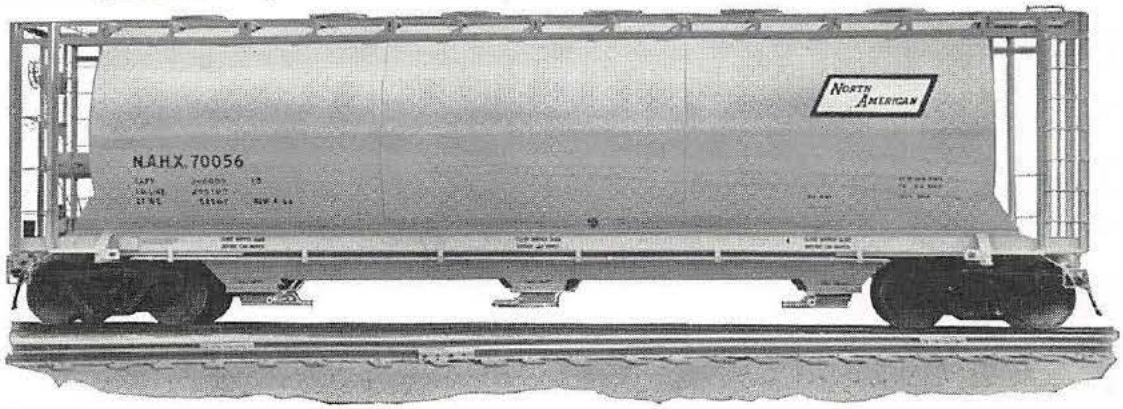

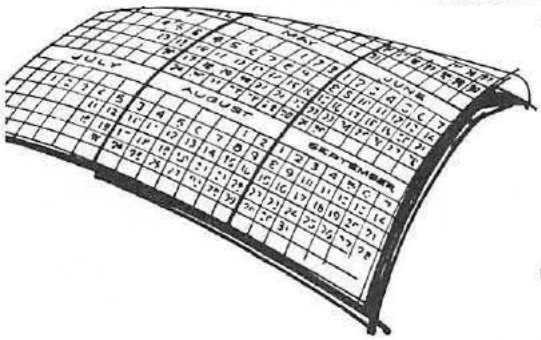

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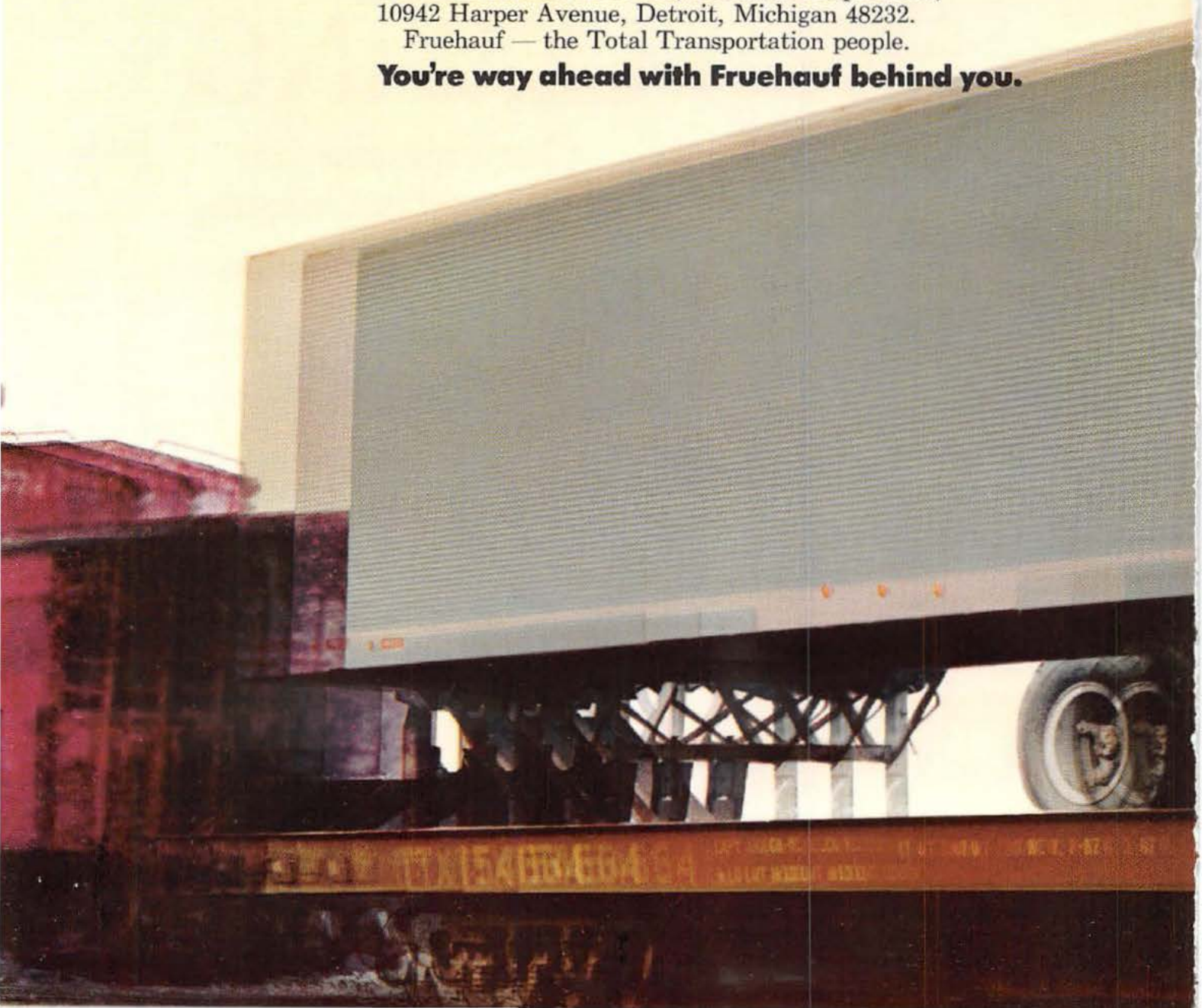
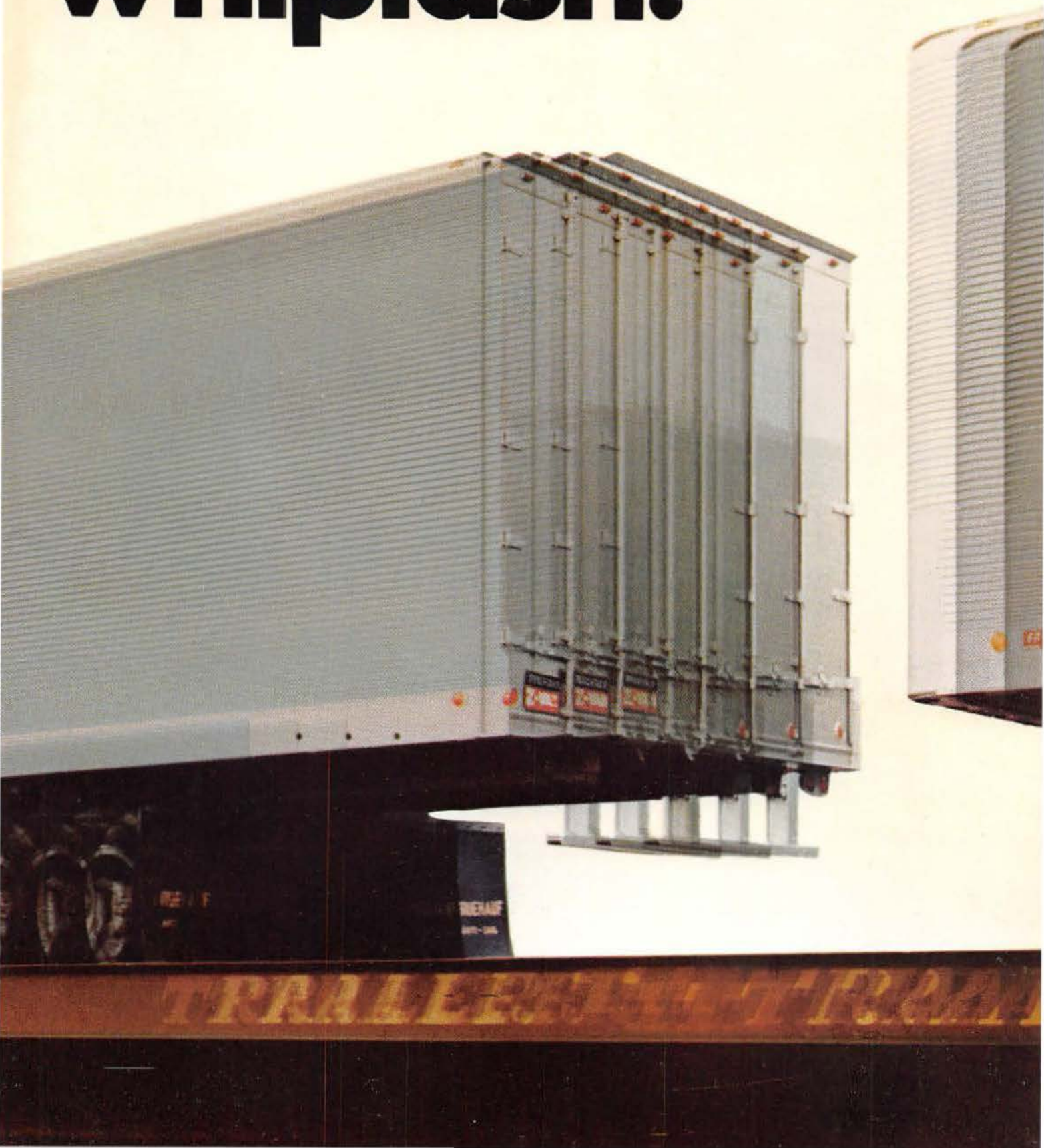


to your neck whiplash.



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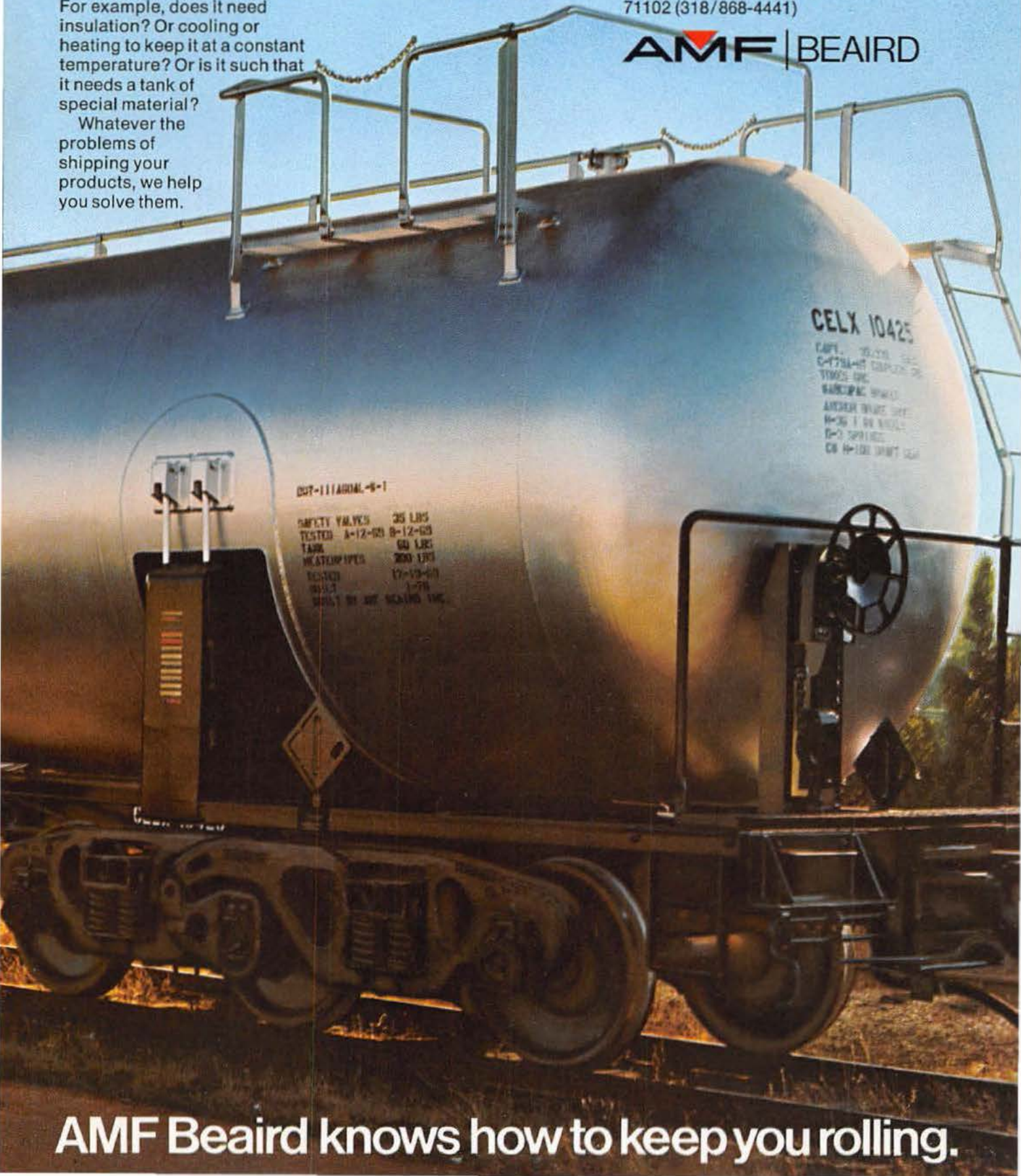

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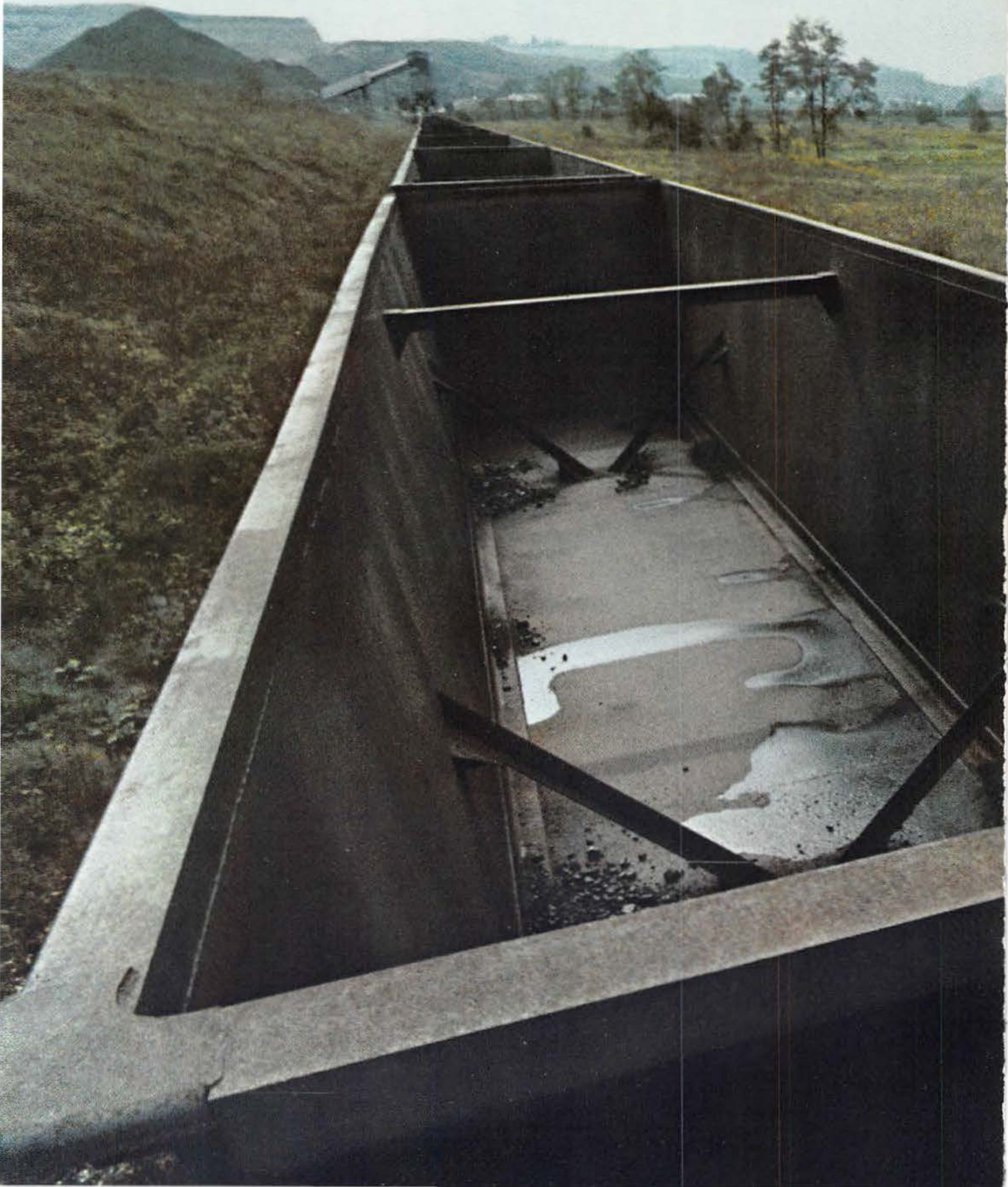
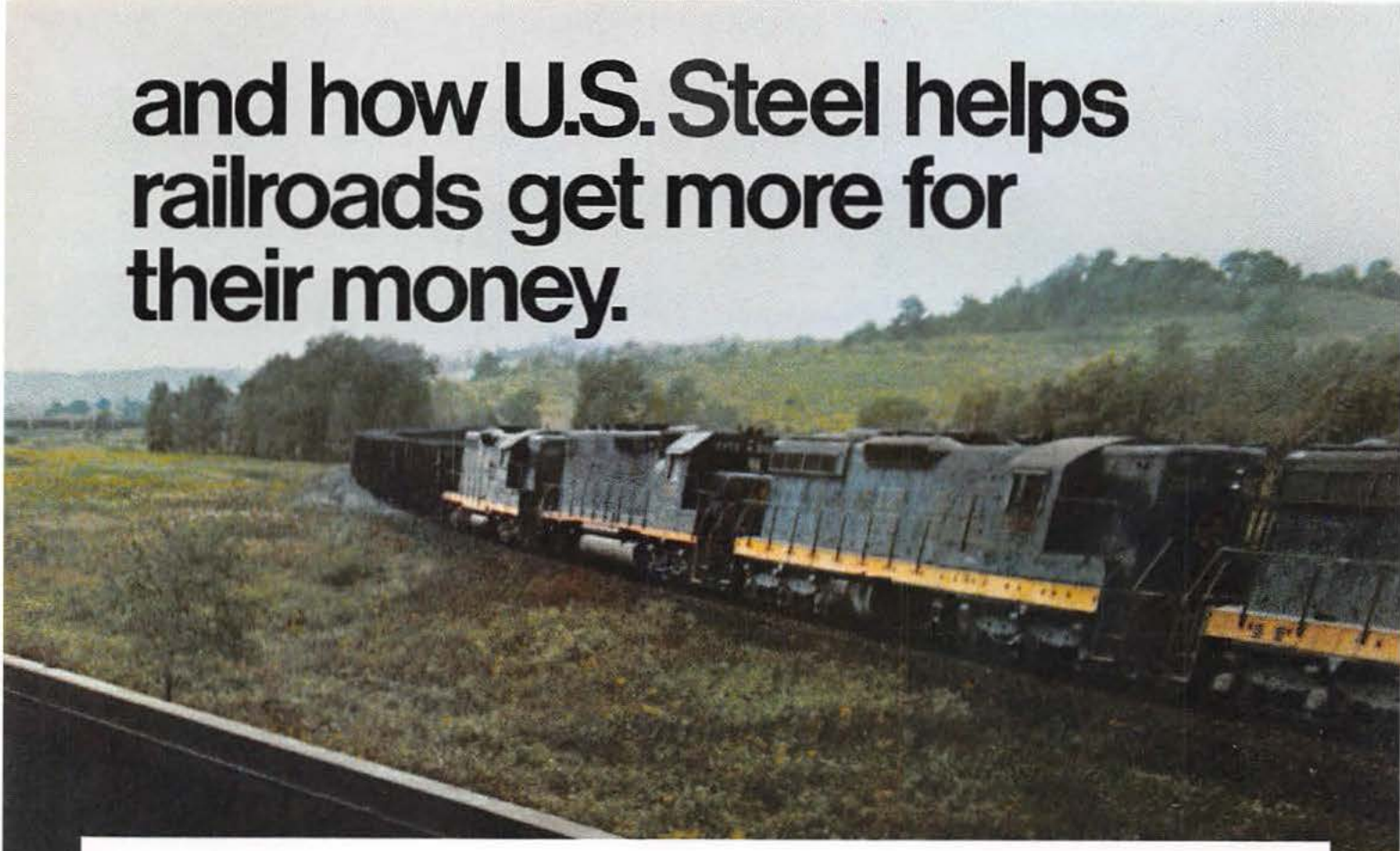


and how U.S. Steel helps railroads get more for their money.



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RAILWAY AGE NEWS

Railroads experience their "worst year since the '30s"

Railroads produced 760 billion ton-miles of freight service in 1970, a decline of only 1% from 1969's record 768 billion. Due to a series of rate increases, total operating revenues were up 5% from 1969's $11.4 billion to a record $12 billion. Yet the Association of American Railroads, releasing these preliminary estimates in mid-December, called the year just ending "the worst year since the '30s" for railroads:

—Soaring operating expenses caused net railway operating income to drop substantially from 1969's $655 million. The final figure, said the AAR, will not differ much from the $493 million reported for the 12 months ended Sept. 30. (The AAR made no estimate of net income for 1970. Best unofficial guess is that it will fall below $300 million. Net income in 1969 was $510 million.)

—Railroad rate of return in 1970 is expected to be close to the 1.77% reported for the 12 months ended Sept. 30. It was 2.4% in 1969.

—Capital expenditures dropped to less than $1.4 billion in 1970, compared with 1969's $1.5 billion. (These figures do not include the estimated $300 million represented by equipment leasing and private-carline acquisitions.)

—Orders for new and rebuilt freight cars in 1970 are expected to decline more than 40% from the 90,000 ordered in 1969. Installations of freight cars, however, will drop only slightly —from 75,972 in 1969 to an estimated 74,000 in 1970. Locomotive acquisitions are expected to decline to 975 this year, from 1969's 1,113.

—Total passenger miles dropped more than 10%, from 12.2 billion in 1969 to 10.8 billion this year. Commuter traffic is expected to show a small increase, from 4.5 billion passenger miles to 4.6 billion.

For Penn Central, a darkening picture

Wage increases imposed by Congress in its back-to-work legislation (*see page 24*) will cost Penn Central about $62 million up to Feb. 28, 1971. This was the immediate cause of the crisis that sent Penn Central trustees to Washington in mid-December with the warning that "there is the prospect, bordering on certainty, that unless emergency action is taken immediately the Penn Central railroad will have to be shut down within the next 30 or 45 days for lack of funds." Both the House and the Senate were considering legislation that would provide Federal guarantee of loans for the bankrupt carrier.

But the trustees made it clear that Penn Central's needs went far beyond riding out the instant crisis.

Looking ahead for the next three months, the trustees said that without any wage increases, receipts would just about equal disbursements, with the Dec. 11 $30-million cash balance diminishing to near zero by late March 1971. But with the newly-imposed wage increases, they estimated the prospective cash-flow deficit at $5 million as of Jan. 31, $42 million as of Feb. 28, and $68 million as of March 31.

"Recognizing the substantial 'estimate' elements in this situation," they told Congress, "it may take $100 million of additional funds to cover anticipated disbursements between now and March 31, and to leave a minimal cash balance."

And troubles will not end there. The trustees said the cash-flow picture for 1971, as it is now discernible, indicates a need to raise between $175 million and $250 million (including the initial $100 million) to keep the railroad in operation through 1971, and an additional $175 million to $250 million will be required.

With reference to the immediately-looming cash crisis, the trustees warned: "If Penn Central drops to the zero cash figure, it stops. This won't be a decision by the trustees, except in the sense that we will be obligated to anticipate this event . . . perhaps with no more than a few days' notice . . . to assure an orderly, even peaceful shutdown. But the operative facts, if the emergency which now threatens actually develops, will be facts beyond the control of the Penn Central.

"No one can really bring himself to recognize the fact that the Penn Central railroad may actually have to stop running. It is bad business to say here that this is an imminent possibility. But this is the fact, and it would be worse not to say so. The issue here today is whether an essential part in the nation's economy will or will not be operating 30, perhaps 45, days from now."

In their joint testimony, Trustees George P. Baker, Richard C. Bond, Jervis Langdon, Jr., and Willard Wirtz noted that the company's receipts and disbursements have been averaging about $8 million per day. They said the company has been able to maintain a cash balance of about $20-25 million since it went into bankruptcy last June 21. This has been made possible by deferment of approximately $350 million of bills.

The trustees said their efforts to dispose of some of the company's non-railroad assets have been hampered by heavy mortgages and other encumbrances on the properties.

While there are possibilities for private financing of equipment, they said such credit sources are not available for funds to meet operating costs.

The trustees reiterated their previous statement that there is a reasonable prospect of turning the railroad into a self-supporting operation under the management of President William H. Moore within three to five years.

They concluded: "We proceed with the conviction that the answer is not nationalization. That would only mean embalming all the mistakes which have been made, preserving them by passing on a tremendous continuing bill to the taxpayers. Railroad transportation is right—economically, ecologically, by any standard. That fact has to be developed into the larger truth. We respectfully urge the Congress' adoption of legislation which will permit this to be done."

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NEWS

SP's Biaggini backs ASTRO proposals

The place was the ballroom of Washington's National Press Club, the date was Dec. 14, but the speaker was not the usual visiting head of state or foreign minister. It was Southern Pacific President Benjamin F. Biaggini, who faced a glittering audience of government and industry leaders and declared that nationalization of U. S. rails would cost the taxpayer a "staggering" $126 billion over the next decade.

Such drastic action, said Biaggini, would mean an outlay of $60 billion for acquisition and $36 billion for plant and equipment improvements, plus a loss of $1 billion a year in state, local and federal taxes, and $2 billion a year in operating deficits.

In terms of efficiency, he asserted, "American railroads provide twice the ton-miles of service generated by the national systems of Japan and all of western Europe combined" and move freight faster and at lower cost.

"From any standpoint it seems to be good sense to put aside any ideas of nationalization of railroads or any other transportation," he said.

Biaggini said rail unions would be the first to suffer under nationalization, because government ownership could only further reduce jobs and security.

"Labor's interest lies in a revitalized and vigorous industry in which it can make a real contribution to improved efficiency, capacity and service."

Biaggini contended that major causes of rail problems are outmoded regulation—"which treats rails as though they were monopolies while it promotes other modes"—and the fact that the Federal government has spent more than $77 billion and state and local governments $203 billion "almost exclusively for modes of transport other than railroads."

Strongly backing the industry's ASTRO recommendations, Biaggini called for:

1. Removal of barriers to common ownership.
2. More freedom for rails to price services competitively.
3. Swifter action by the ICC.
4. Passage of legislation prohibiting discriminatory local taxation.
5. Government assistance for expansion of rails' locomotive and freight car fleets.
6. Government assistance for modernization of track, rights of way and terminal facilities, either through a new Federal transportation fund, loan guarantees, or tax incentives.

The ASTRO proposals, said Biaggini, "embrace the essential changes in national transportation policy that the nation must have if we're going to have a healthy transportation industry.

"The ASTRO report itself represents many changes in traditional positions for most of the industry," he declared. "Railroad management today realizes more than ever before that ours is an interdependent industry and we must find ways to restore the ailing segments of the industry to health."

The composition of Biaggini's audience underscored the latter point. Listening intently were Union Pacific President Edd Bailey, Burlington Northern Chairman John M. Budd, Southern President W. Graham Claytor, Jr., Norfolk & Western President John P. Fishwick, Louisville & Nashville President W. H. Kendall, Maine Central President E. S. Miller, Penn Central President William H. Moore, Bessemer & Lake Erie President F. W. Okie, Milwaukee Road Chairman William J. Quinn, Santa Fe President John S. Reed, Seaboard Coast Line Chairman W. Thomas Rice, Illinois Central Chairman William B. Johnson, Soo Line President Leonard H. Murray, C&O/B&O President Gregory S. Devine, C&O/B&O Vice President Owen Clarke, and Frisco Vice President E. D. Grinnell, Jr.

DOT Secretary John A. Volpe put in an appearance before the luncheon speech. Remaining were DOT Assistant Secretary for Policy Charles D. Baker, Assistant Labor Secretary W. J. Usery, and ICC Commissioners Brown, Murphy, Jackson, and Greshman. Other guests were acting FRA Administrator Carl V. Lyon, AAR President Thomas M. Goodfellow, AAR President-elect Stephen Ailes, ASTRO General Counsel George A. Smathers, RPI President Nils A. Lennartson, and NIT League Executive Secretary Lester J. Dorr.

It was—outside, perhaps, of the AAR board room—as colorful an event as the industry has seen in Washington this year.

"Healy grads" pay tribute to the prof

If an educator is judged by the success of his students, then Kent T. Healy ranks with the all-time greats. Prof. Healy, recently retired as teacher of graduate courses in transportation at Yale, always kept his classes small—and among the Healy graduates are many of today's top railroad officers, including this blue-ribbon group which met recently in Chicago to pay him tribute: Left to right, S. M. Gossage, vice president, Canadian Pacific; Mrs. Healy; Prof. Healy; John S. Reed, president of Santa Fe; John M. Budd, chairman and chief executive officer of Burlington Northern; and William J. Dixon, president of Rock Island. Also numbered among the Healy grads are D. B. Jenks, president of Missouri Pacific; Perry M. Shoemaker, former president of Lackawanna and Jersey Central; and the late R. A. Emerson, president of Canadian Pacific at the time of his death.

UP delays Milwaukee entry into Portland

Milwaukee Road President Curtiss E. Crippen calls it the action of "a benchwarmer who sticks his foot out and tries to trip the ball-carrier." He is referring to a petition filed with the ICC by Union Pacific—which, for the time being at least, is blocking Milwaukee from the entry into Portland, Ore., that it was promised under terms of the Burlington Northern merger. Milwaukee and BN have agreed on the ways and means for Milwaukee to operate over BN tracks between Longview Junction, Wash., and Portland, a distance of 46 miles. The Commission has approved the agreement. UP, however, is asking for reconsideration—and Milwaukee, predictably, is not happy. UP, Milwaukee says, "offered no opposition to the [BN] merger itself, and did not pursue its opposition to the Milwaukee's conditions during . . . two years of court litigation . . . Union Pacific is trying to defeat the intent of the Commission and the courts to neutralize the anti-competitive effects of the BN merger; and the interest of hundreds of shippers and shipper associations, government agencies and the states of Iowa, Michigan, North Dakota, Oregon, South Dakota, Washington and Wisconsin, who have strongly insisted that the Milwaukee serve Portland."

The Union Pacific, however, contends that Milwaukee is "using the BN decision in an attempt to gain further concessions . . . to establish not only entry to Portland over BN but further trackage rights within the area as well as through routes and rates to connect with a carrier into northern California."

This, Union Pacific, says, adds "an entirely new element to the original proposal."

Incorporators are named for Railpax

Railpax's slow order at last seems lifted. After considerable footdragging, President Nixon on Dec. 18 named eight persons—who must be confirmed by the Senate—to be incorporators of the new National Railroad Passenger Corporation.

They are: John J. Gilhooley, New York, president of Urban Industries, Inc., and former chairman of the New York City Transit Authority; Gen. Frank S. Besson, Jr., Alexandria, Va., retired Army Chairman of DOD's Joint Logistics Review Board and who saw extensive rail operating experience in the middle east during World War II and in postwar Japan; UTU president Charles Luna, Cleveland (whose acceptance raised eyebrows what with the pending wage settlement; observers pointed out Luna must retire from UTU on Dec. 31, 1971); Rep. Catherine May Bedell (R-Wash.), who was defeated for reelection in November; David E. Bradshaw, Chicago attorney with the firm of Bradshaw, Speranza and Veverka; David W. Kendall, Jr., Grosse Point, Mich., legal vice president of Chrysler; Arthur D. Lewis, New Canaan, Conn., former president of Eastern Airlines, and DOT deputy under secretary John P. Olsson.

No rail men were among the incorporators because the Railpax Act forbids the President to appoint a director with any direct or indirect financial or employment relationship with a railroad. However, the eight incorporator/directors named by President Nixon will be joined by seven other directors elected by stockholders after May 1, three of whom will be elected by railroads.

The 15 will constitute Railpax's Board of Directors. Eventually all directors will serve for four years, but three of the eight named by the President will serve two years, three will serve three years. Directors receive $300 for each board meeting they attend (there are sure to be a lot of them in the next six months) plus travel expenses. The eight incorporators face a long list of problems if Railpax is to meet its May 1 deadline for assuming all intercity rail passenger service.

NEWS

Did Congress break the strike—or the railroads?

While Congress wrote and rewrote—and while President Nixon waited up for the results of Congressional labors—the clock struck midnight, EST. And a major railroad strike was under way a minute late, at 12:01 a.m., Thursday, Dec. 10.

Within 24 hours, the strike had been broken. But, under terms of the legislation approved by Congress and reluctantly signed by the President, it remains to be seen whether it was the strike—or the railroad industry—that was broken. Mr. Nixon proposed a single move—a 45-day delay in a walkout. Congress lengthened the delay period to March 1. More significantly, it applied one part of an emergency-board recommendation—ordering railroads to pay retroactive wage increases for 1970—while it bypassed the rest of the board's report, which included recommendations for work-rule revisions designed to compensate, at least in part, for the proposed wage boosts. As a result of this Congressional action, railroads will be paying a 5% increase retroactive to Jan. 1, 1970, and a 32-cents-an-hour increase (equivalent to about 8½%) retroactive to Nov. 1.

President Nixon proposed legislation to get the trains moving . . .

● **For FEC, business as usual.** If you were in Florida, Long Island or parts of Chicagoland during the short strike, your problems were less than total. Florida East Coast—"struck" for years but not a party to the current dispute—continued operations. Long Island commuters got part of the way to New York on LIRR trains. Chicago & North Western, alone among Chicago commuter roads, opted for operation—and many of C&NW's twice-a-day riders had their usual trip to and from the city.

But, if you were anywhere else in the country, you found a virtually-complete shutdown of rail operations—one that did not end with action by Congress and the President, or even with action by the courts in Washington and in a number of other cities across the country. Early on the morning of Thursday, Dec. 10, leaders of more than half of the strikers ordered their members back to work. But it was not until that evening that President C. L. Dennis of the Brotherhood of Railway and Airline Clerks issued his back-to-work order. In the meantime, a Federal judge had held the union in contempt and had warned of $200,000-a-day fines.

● **Repercussions.** Once the strike was ended, operations got back to normal quickly. Negotiations were resumed by the railroads and the four unions—BRAC, the United Transportation Union, the Brotherhood of Maintenance of Way Employes and the Bartenders International Union. And there were repercussions on all fronts—in government, among the carriers and among the unions.

President Nixon had the first word: "I proposed legislation intended to continue operations of the railroads while the free collective bargaining process went on. But Congress went beyond my request, and imposed a settlement. It selected one portion of the emergency board's recommendations, raising wages, without adopting a balancing portion that would increase productivity and cut back the inflationary effect of the pay increase.

"Productivity improvements such as those contained in the board's report are absolutely essential to combat the rise in prices.

"Despite all the talk in Congress of the need to persuade business and labor to curb inflation, when the chips were down a majority of the Congress voted to increase wages sharply without increasing productivity—in plain words, to speed up the rise in costs and prices."

Then the President got in a plug for his long-ignored legislative proposals on dealing with transportation labor problems: "This kind of action, under the pressure of a strike deadline, would have not been necessary if Congress had passed the reform of the Railway Labor Act that I proposed 10 months ago. Congress has not held a single day of hearings on the proposed Emergency Public Interest Protection Act. With the results of this neglect again apparent, I again urge the Congress to make the reforms so badly needed."

● **"We've been had."** Rail management was even less happy than the President. One reaction: "We've been had." And in much of management's reaction, there ran this thread: Congress, in an unprecedented action, came close to confiscation of property—by legislating the wage increase without compensating rules changes. The Wall Street Journal quoted one railroad officer: "The unions have beaten our brains in. When will this stop?"

On the union side, opinions seemed to differ. BRAC's Dennis kept right on building his reputation as a militant. Leaders of the other unions issued a statement saying that Congressional action "contains some bright spots. In this instance, Congress has put the interests of the working man on a par with those of management by granting retroactive wage increases along with the delaying proposal."

. . . but Congress went further and imposed a one-way settlement.

An impartial observer, if such there could be, might offer these observations:

—Management has, indeed, been had. Management had a right to expect that, if Congress applied one segment of the emergency board report, it would give credence to and take action on other parts.

—Clerks, engine- and train-service employees, M/W people and the others were understandably frustrated by delays in getting pay raises, as inflation continued in 1970. They had no increases during the calendar year, until Congress gave them two.

—Congress and the Administration

proved once again that the President proposes and Congress disposes. It is hard to say what would have happened, had Congress gone along with Mr. Nixon. As it is, there are strong indications that Congress has double-faulted, by making a strike in a vital industry even somewhat profitable and by imposing what may prove to be an intolerable burden upon at least a part of a troubled railroad industry.

—Rail labor may have worsened its own internal problems. BRAC's Dennis, known before as a tough bargainer but not as an impossible one, has come off as the militant-of-militants. But he and his successors may have a serious problem in ever again controlling the membership. UTU President Charles Luna, on the other hand, may have a problem of a different kind. Two days after the strike ended, dissidents in Chicago held a "mass" meeting (attended by about 200) to rail at Congress for its action and at UTU leadership for not being sufficiently tough. At the heart of this dissidence, reportedly, is a group which came into UTU from the former Switchmen's Union of North America, and which wants UTU to adopt SUNA's old referendum plan for approval or disapproval of agreements.

—The public, as usual, wound up as the biggest loser. The one-day strike, in and of itself, didn't matter all that much: A rail strike is a thing that may be tolerated for a day—though with each succeeding day the problems grow in geometric proportion. The public's real loss is in the staggering financial burden which Congress placed upon an already staggered railroad industry. More fortunate roads have accrued funds for pay increases; less fortunate ones will be in trouble. Service will suffer, as other costs will have to be cut.

—By its action, Congress has raised a serious question as to its recognition of the problems of the industry. In the ASTRO report, railroads are not asking the Federal government to take a hand in revamping management/labor relations. Railroads are asking, however, that government acknowledge inequitable situations and do something about them in recognition of the fact that the nation needs improved rail transportation. It will take some ASTRO-doing to undo the effects of the Congressional action Dec. 9-10.

Lines on Labor

GUS WELTY

LABOR'S ROLE IN MERGER—PART II

Like cigarettes, comparisons may be hazardous to your health. Certain comparisons were made in this space (RA, Dec. 14, p. 13) between merger-related labor agreements of Penn Central and Burlington Northern—and they provoked at least a couple of headaches. PC reacts, first by noting that there were big differences involved "and the PC merger required much more complex consolidations of lines, terminals and operations." PC Vice President-Labor Relations J.J. Maher cites several inaccuracies in the Dec. 14 column, with these comments: "As for severance allowance, PC considers this a major advantage to a company with excessive forces to be protected on an attrition basis. [This] payment is often more economical than keeping unnecessary employees on duty at home point or at a point to which they have a right to transfer. BN clerical employees who chose to move are entitled to very substantial transfer allowances, including a bonus running as high as $5,000 per man, which PC does not pay."

PC, ON IMPLEMENTING AND INTEGRATING

Maher continues: "PC agreements do not require individual negotiation and arbitration of each operations integration. PC has general implementing agreements with almost all of its non-op employees which permit changes without further negotiation. The major ones were concluded before merger. For ops, PC elected to make individual implementing agreements for each operations integration so as to meet the many operating changes with greater flexibility. This has been done in 39 terminals and in many road operations. PC has had the cooperation of the unions. R. G. Flannery, vice president-operation, says he has all the flexibility he needs for operating purposes. PC knows of no instance in which 'a single crew operates under several different and conflicting agreements,' as stated in your column. It's true that generally former NYC crews are operating under their agreements and former PRR crews are operating under theirs. This appears very similar to the BN situation . . . . This is not causing difficulty in PC train- and yard- service operations. The PC ops' seniority structure has been simplified from 427 districts to seven. With respect to PC non-ops, general schedule agreements including consolidated seniority districts covering the entire system including New Haven have been negotiated with unions representing most non-ops. No difficulties are being encountered as a result of separate agreements in other crafts. With minor exceptions, no further negotiations are anticipated with any of the non-op unions to carry out the merger."

That's PC's comment. So far as the different agreements of different roads are concerned, ours is: to each his own.

NEWS

"K" Line container ships cut costs

Quick loading and discharge of containers, plus savings on inland hauling and packing costs, have made "K" Line Japan-U.S.A. container vessels popular with shippers.

"K" Line container ships, with a speed of 23 knots, can carry 732 containers, each 20-ft by 8-ft by 8-ft, loaded in two tiers on deck. The company now uses 40-ft containers on a major scale, in keeping, it says, with the high efficiency of inland transportation in the United States. "K" Line containers are of twelve different types, including dry freight, refrigerated, high-side open type, flat rack and tank. The line had developed its own chassis: dump chassis for bulk cargo and a 10-ft-wide, spread-axle chassis for extra heavy cargo.

Interchange agreements have been concluded with more than 250 railways and truckers in the U.S. "K" Line also has contracted with two major Japanese companies for transportation of its trailers in Japan. Six container terminals in Japan and four in the U. S. and Canada handle "K" Line's container loading and unloading operations. The terminals have one or two gantry cranes capable of handling containers up to 40 feet long, a container freight station and other necessary wharfside facilities.

Simmons-Boardman will publish BANKING

The Simmons-Boardman Publishing Corp., which publishes Railway Age, has assumed publishing management of BANKING, Journal of The American Banking Association.

Harry L. Waddell, Simmons-Boardman vice president, will become editor and publisher of BANKING. He succeeds William P. Bogie, who is retiring after 38 years with the ABA magazine. Waddell is a former vice president of McGraw-Hill, which he earlier served as a Business Week editor, chief editor of Factory, and publisher of McGraw-Hill's petroleum magazines.

Arthur J. McGinnis, Simmons-Boardman president, said that under the new publishing arrangement for BANKING, a five-member Editorial Board, including three ABA executives, will guide long-range policy.

In addition to Railway Age, Simmons-Boardman publishes Railway Locomotives & Cars, Railway Track & Structures, Railway System Controls, International Railway Journal, Marine Engineering/Log, Plant Location and Car & Locomotive Cyclopedia.

ACI deadline set back again

The Automatic Car Identification labeling program has another new deadline, its fifth since the KarTrak system received AAR approval over three years ago. The new one—May 1, 1971—has been authorized by the AAR Operating-Transportation Division's General Committee. According to the latest estimates, close to 90% of the equipment fleet now bears the red-white-blue-black, retro-reflective labels.

The O-T General Committee has also authorized extending the ACI labeling deadline for railroad-owned or -controlled trailers and containers one year to Jan. 1, 1972. At the same time, labeling of so-called "foreign" trailers and containers is being prohibited without written permission of the owners. And the Committee also ordered that all new equipment in this category would be required to have labels.

In another move to get the car fleet labeled once and for all, the AAR Car Service Division is expected to issue an order, effective Feb. 1, requiring all unlabeled empty cars to be either labeled or sent to their home line for labeling before they are permitted to be loaded. It is expected that this action will help catch most of the 200,000 cars that have escaped labelers thus far.

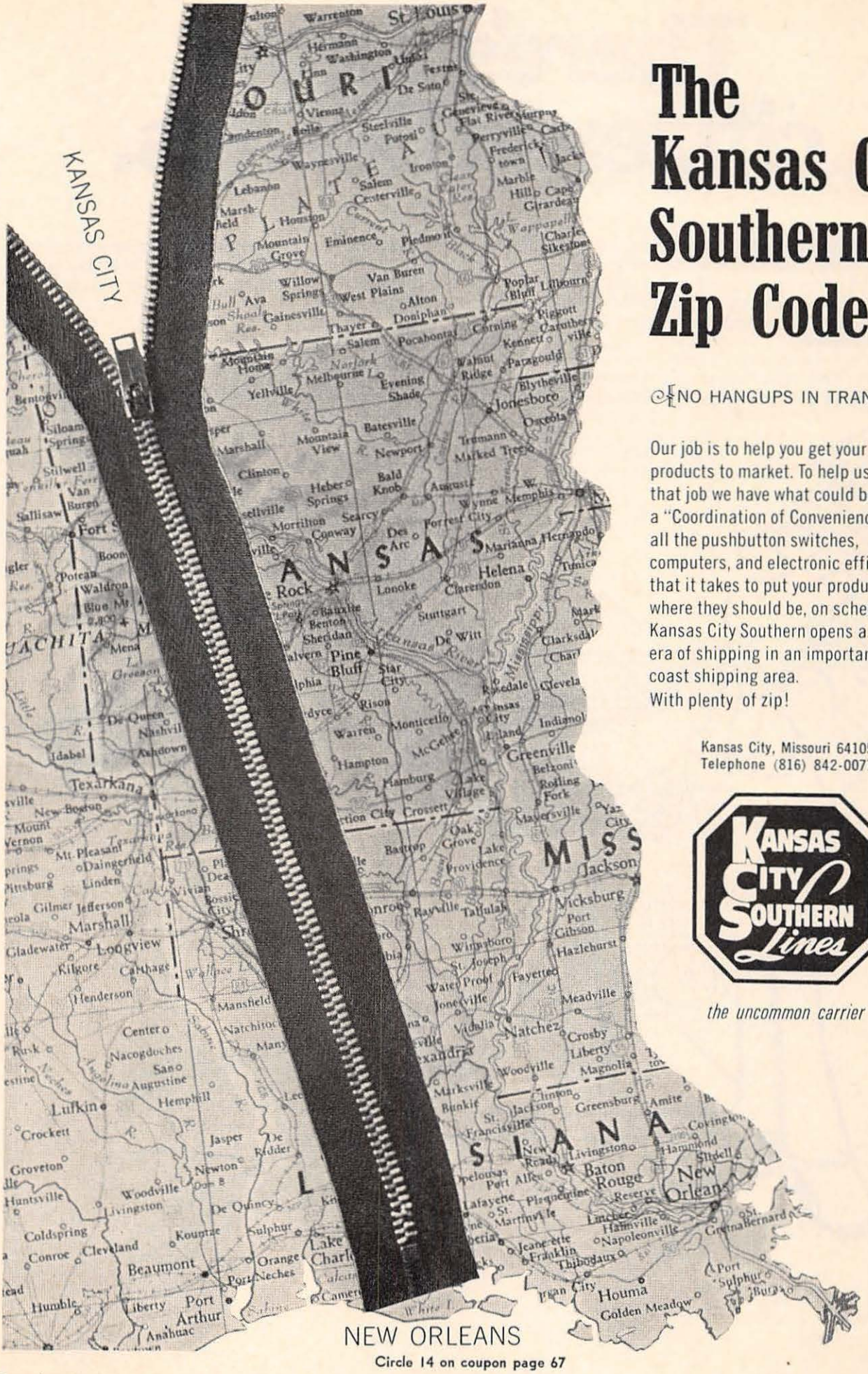
Meanwhile according to the AAR Data Systems Division, over 120 wayside scanners for the ACI system are either installed or on order.

ASF bundles couplers in cozy packages

American Steel Foundries has introduced a new, palletless method of packaging couplers for shipment to railroads and carbuilders. Four pieces of 2x6 oak timber, 4 feet long, plus steel banding, are all that is needed to bundle six couplers into a neat package.

Six of the new bundles will occupy the same space as a vertical stack of only five of the palletized units, thus conserving storage space.

Aside from being more compact, the new bundle is more durable, points out J. C. Day, marketing vice president.



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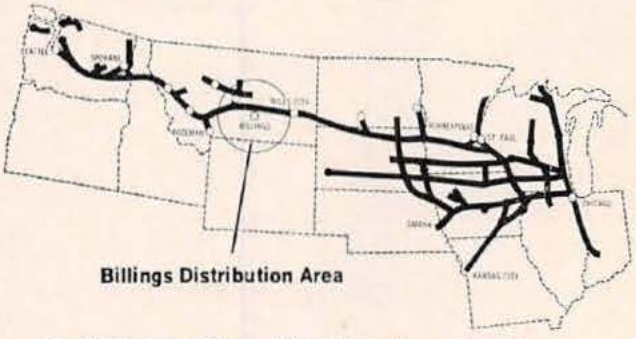

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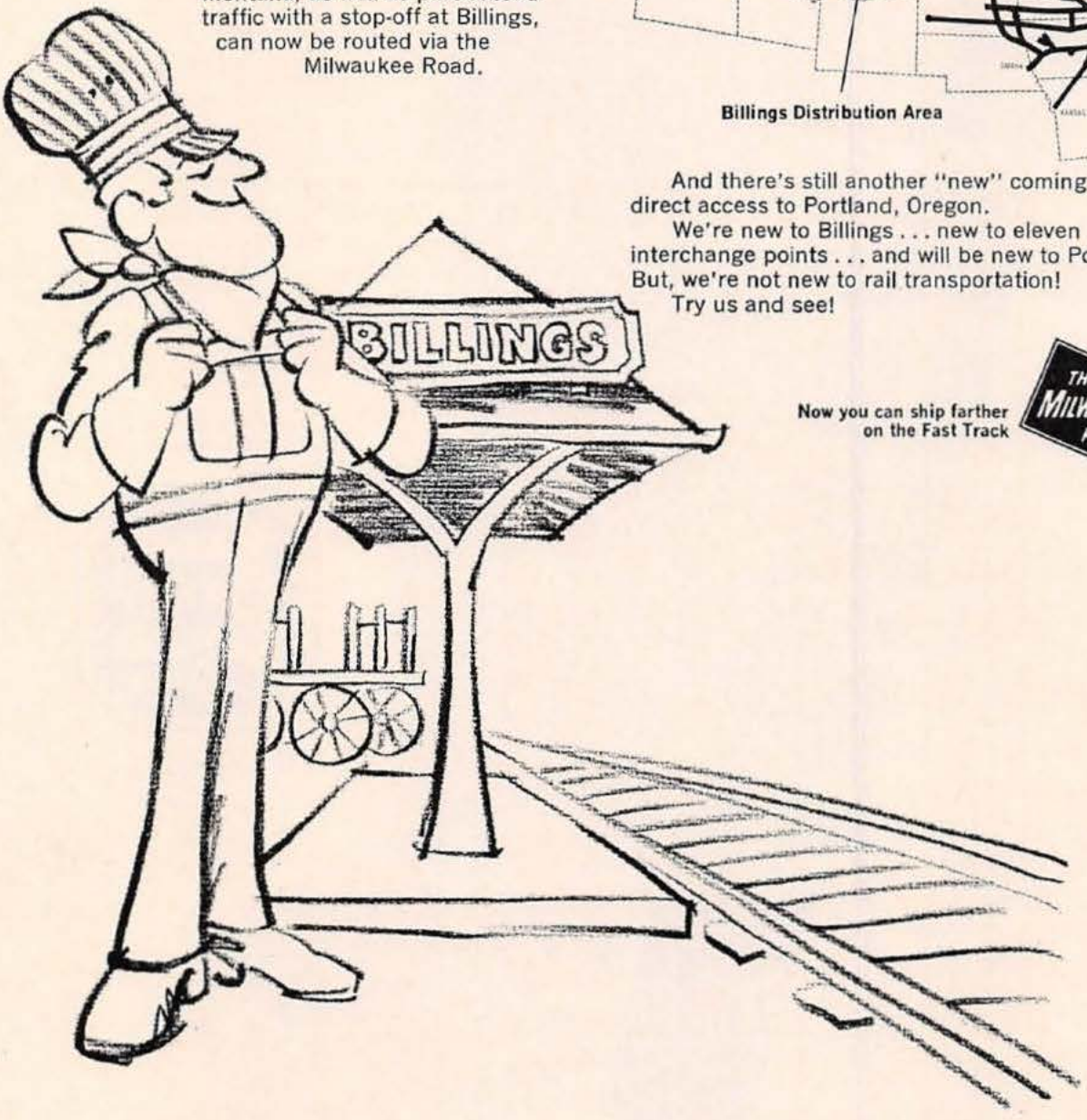

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Why Ralston Purina's traffic team says "We need railroads"

The company's traffic and transportation people say, however, their big demand now is highly improved reliability of service.

In little more than a decade, Ralston Purina has tripled its sales—going from about $500 million to more than $1.5 billion. It posted after-tax earnings of more than $56 million in the fiscal year ended Sept. 30. New Ralston Purina plants are springing up at such a pace that any listing of plants is out-of-date almost before it can be printed. Over the next five years, management is thinking in terms of sales-and-profit growth of at least 8% compounded—and there is every hope that the growth rate may actually run as high as 15% compounded.

A decade ago, Ralston Purina was heavily dependent upon rail service. "RP Needs Whistle Stop Service," said the headline on a Railway Age ship-by-rail feature (RA, June 29, 1959, p. 30). Today, the diversified food-and-feed company is still heavily dependent upon rail—but with a distinct switch in emphasis. RP's transportation-and-traffic people are no longer so concerned with a "whistlestop" kind of operation for their outbound business. What they demand now is greatly improved reliability of service on the inbound traffic.

● **Share is down, revenue up.** Railroads have shared in Ralston Purina's growth—to a degree. Their share of total RP business has dropped from 52% to about 42%. But, a decade ago, railroads were taking in $40 million in freight revenues. Now, freight charges paid to railroads, including prepay, add up to $57 million—reflecting both freight-rate increases and an absolute increase in the RP tonnage that rails are handling.

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We put 50 pounds of our VAN ESTAN® 10 rail curve lubricant in a handy poly bag. Packed it in a double-wall corrugated box. And came up with what has to be the greatest time-and-money-saver since the automatic lubricator.

Just slit the poly bag and squeeze. You get a pre-measured amount of grease with no mess, no waste and no back-breaking drums to handle.

The first railroad men to test Humble's handy bag-and-box nicknamed it "The Blivet." But there was no kidding about its savings.

2 men do the work of 3.

Before "The Blivet," one large Eastern railroad used to send a section car and trailer with a foreman and 2 maintainers to spot 400-lb. drums of grease near lubricators on mountain curves.

Today, a 2-man crew on the section car alone can do the whole job with a few Blivets.

Net saving: 1 man, 1 trailer. And no risk of vandals shooting holes in drums or rolling them onto the track.

Saves 7 ways.

Changing from conventional drums to "The Blivet" can:
1. Save application time. **2.** Reduce size of crew. **3.** Eliminate risk of personnel injuries. **4.** Save the 5-10 lbs. of lube that ordinarily stick to drum walls. **5.** Keep lubricators from being fouled by dirt that gets in drums. **6.** Save storehouse space. **7.** Eliminate handling of empty drums.

Clip the coupon and find out how easily "The Blivet" can banish old-fashioned drum troubles and expenses forever.

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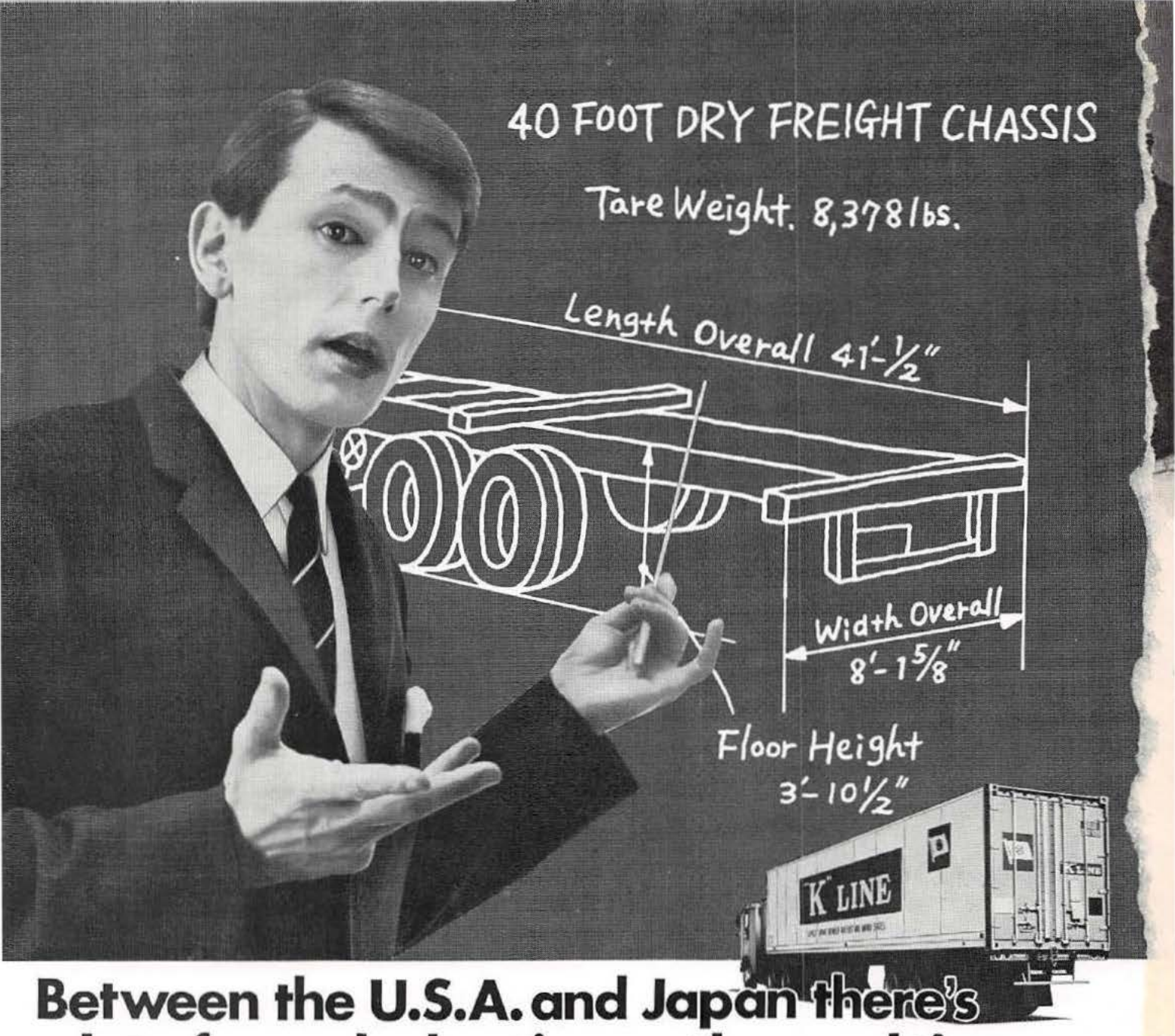

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Shippers forecast a busier New Year

But they warn that railroad participation in the expected upsurge could be hurt by rising rates and poor service.

There is mounting concern in the shipping community over railroad rate increases. While 102 of 139 major shippers queried by Railway Age forecast increases in their freight shipments in 1971, a large number say bluntly that they may have to shop around for cheaper carriers. With common-carrier truck rates also rising, private carriage is mentioned frequently as an alternative.

Inadequate railroad service is also mentioned by some shippers who say rails may get a proportionately smaller share of their business in the New Year.

● **Rails overpriced?** A dozen shippers participating in the December Traffic Poll took the trouble to spell out, in some detail, their worries over pricing. Some sample comments:

Harry Menaker, general distribution manager, American Home Foods, New York: "Railroads are pricing themselves out of the canned foods business. The recent general increases make the railroads very vulnerable to motor-carrier competition."

Louis F. Matinzi, general traffic manager, Ludlow Corp., Needham Heights, Mass.: "We anticipate expansion of private carrier operations where rate increases have affected our customers the most."

Erwin Rosenzweig, traffic department, Longview Fibre, Longview, Wash.: "We in the paper industry believe the rail carriers will lose considerable volume traffic to the motor carriers from the Pacific Northwest to California due to rail rate increases in 1970. Presently many paper products can be shipped via truck at 4 cents to 8 cents below rail rates on 40,000- or 50,000-lb minimum carloads. This trend needs rectifying if railroads expect to continue to be the prime mover of paper."

DECEMBER TRAFFIC POLL

1. How do you expect your company's over-all business in 1971 to compare with 1970?

Better	102
Same	26
Poorer	11

2. How do you think your total transportation needs in 1971 will compare with those of 1970?

Larger	106
Same	25
Smaller	8

3. In relation to your probable transportation needs in 1971, how do you expect your total use of rail service to compare with 1970?

Relatively larger	63
Same	42
Relatively smaller	34

4. Do you contemplate any major changes in your transportation policies during 1971?

No	65
Yes	23

Alfred Travers, Jr., director of transportation, International Steel Co., Evansville, Ind.: "More inbound tonnage will move by barge due to rail increases."

T. L. Gragg, director of materials management, American Enka Co., Enka, N. C.: "We will probably expand our private truck fleet because of higher common carrier costs (both rail and motor). Service is a very important factor in our business; rail service is terrible."

Harold Parkrose, director of transportation, David J. Joseph Co., Cincinnati, Ohio: "I anticipate a greater interest in the short haul movement of more material by truck to reduce our costs due to rate changes by rail. I also anticipate an increase in long-haul water shipments where barging is possible."

Gordon R. Anderson, general traffic manager, Dow Chemical Co., Midland, Mich.: "Due to the recent substantial freight rate increases, there will be a shift to lower cost modes. Some traffic now moving by motor carrier will be routed by rail, and the rails will lose some movements to water transportation."

D. J. Osbjornsen, director of physical distribution, Lamb-Weston, Inc., Portland, Ore.: "Horizontal increases, if continued as in the most recent ex parte proceedings, will price Far Western producers out of the major markets on certain commodities which are moving by rail today. A realistic approach, commodity by commodity, is long overdue."

Harry C. Horner, purchasing and traffic manager, Fred Rueping Leather Co., Fond du Lac, Wis.: "I am experiencing more and more cases where truck rates on hide shipments are lower than rail rates presently in effect."

D. C. Ward, director of transportation, Hoerner Waldorf Corp., St. Paul, Minn.: "Recent rail rate increases have brought about some situations where the rail carrier is no longer the low-cost mode. Depending on order size, unloading costs and facilities, and whether or not the competing mode's costs rise, there will be some switches away from traditional rail moves."

Arthur V. Krone, manager of transportation, Ashland Chemical Co., Houston: "We will insist that any future ex parte increases be fully substantiated—and more importantly, that if granted, there be no exceptions of any kind . . . We feel the smaller industries

(Continued on page 52)

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PROBLEM-SOLVING SESSION in Ralston Purina's traffic department brings six top traffic men together with Vice President Hjalmar N. Johnson. Left to right are Ralph W. McLarnan, general traffic manager, Consumer Products Group; Don G. Klein, fleet manager; Roy H. Shipley, traffic manager, Western Division, Perishable and Frozen Foods and New Venture Management; Johnson; Carl G. Buchheit, traffic manager, Central Division; Charles W. Moses, traffic manager, Southern Division; and Ray Carter, traffic manager, Soybean Division and grain rates.

fleet, you automatically need to have more people in your own organization to keep track of fleet movements."

Hjal Johnson is also less than certain as to what railroads can do to meet RP's service needs—particularly in view of the costs which labor imposes in the operating area. Like William K. Smith, vice president and director of transportation at General Mills (RA, Aug. 31, p. 30), Johnson is relatively unconcerned with service speed. "We don't need overnight service," he declares. "If railroads can deliver plus-or-minus 24 hours on a target day—a 72-hour range—that's OK. Service can even be bad—from an elapsed-time standpoint—if it can just be made consistent. But we can't take the kind of inconsistency in which a shipment will take four days this time and two weeks the next time."

● **RP's approach to problem-solving.** With its emphasis on decentralization, it is not surprising that Ralston Purina also stresses transportation problem-solving on the lowest possible level. Most major facilities have a plant traffic manager—and RP makes every effort to handle equipment and service problems locally, with Johnson and the St. Louis headquarters group becoming involved only when the help of higher-level management is needed.

R. W. McLarnan, general traffic manager of RP's Consumer Products Group, has an operation also heavily dependent upon rail service. And, he points out, "We have to work closely with railroad operating departments at the division and terminal level. When people from the headquarters make plant visits, we try to meet with divisional operating officers, and we may agree to undertake specific operating-improvement projects. We've found that when these improvements are made, they usually stick—subject to some slippage with the passage of time, or when railroads get hit with a greater dollar-pinch."

Johnson and McLarnan will quickly add that they do not believe it is always the sole obligation of the railroad to make changes: "Many times, we've found that we can also do things to improve service, by recognizing the railroad's situation. In some cases, we've changed loading and unloading times and we've changed the times when we ask for plant switching."

● **Planning for growth.** Over-all, Ralston Purina has no "loss leaders." All four of its operating groups—agricultural products, consumer products, international, and restaurant—contributed to the record-high income in 1969-70. R. Hal Dean, chairman and chief executive officer, can find a number of reasons for being optimistic about the future. For one thing, he notes, RP is continuing to reduce the influence of cyclical commodity markets. It is moving into test marketing with a number of new consumer food products. Pet foods "are a particularly bright spot," with two new plants built in 1970 and two more scheduled for construction in the near future. The restaurant group is looking good, with more than 100 Jack-in-the-Box units planned for 1970.

Says Dean: "Our base is broader today than ever before. The commodity cycles are less influential. Our target for growth is to achieve over the next five years an average annual compound growth rate of 10% in per-share earnings. We feel we have the blueprints within the organization to meet this goal and possibly to exceed it." It is worth noting, too, that the projected growth will be primarily generated internally—not through acquisitions.

● **Transportation needs add up.** Hjal Johnson's department will be playing a big part in helping this growth happen. And Johnson is more than a little worried about the transportation industry's ability to do its part.

Again and again, he stresses the fact that cost is not the primary consideration. Grain and grain products, he notes, generally take reasonable rates. And RP is not going to be too upset with rate progressions so long as it can market its products competitively.

For a number of years, Purina has had a private trucking operation. Its total motor-vehicle fleet (including a relatively small number of automobiles) now numbers about 1,400 units, and it is growing every year. Independent motor carriers, water carriers, even air carriers get a slice of the transportation pie. But most of all, Ralston Purina needs railroads.

"Wally Schirra's right," Johnson says—referring to the AAR's commercials and ads, in which the former astronaut winds up with "America's railroads. Who needs them? You do. We all do." As Johnson puts it, "You couldn't possibly build enough highways to do tomorrow's transportation job. But we have all kinds of trouble with transportation today. If you look at the growth we project, and if you consider that other industry will be growing as we will be—well, how will railroads be able to take care of this growth, if they're not able to handle the available traffic today?"

● **Rails, ICC, shippers could act.** RP's vice president-traffic can cite a couple of sore points in dealing with railroads—demurrage, and loss-and-damage claim practices, to name two. But he also puts the finger on the Interstate Commerce Commission and on shippers themselves for failing to come to grips with transportation's big problems.

Johnson wants, for the ICC, new stature—and more commissioners who do not have to learn about transportation after they become commissioners. He is not at all happy with the ICC's recent performance in rate cases—with the trend to the granting of permanent and interim increases, and then the firming-up of the interim increases sometimes more and sometimes less. All this does, Johnson says, is put uncertainty and added expense on both carrier and customer in generating more paperwork.

His concern with the customer-fraternity is that "we're so disjointed, so fragmented. We need one strong voice." The National Industrial Traffic League, he'll say, may come closest to this—but even NITL does not seem to

(Continued on page 74)

MANAGEMENT CLOSEUP

L&N: Looking toward growth in the '70s

"A lot will depend on the cash we have available"—WILLIAM H. KENDALL

The Dec. 17 announcement that Seaboard Coast Line will seek full ownership of the Louisville & Nashville—in which it already has a 33% interest—put the spotlight on a carrier that is a prize in anybody's book.

"Purposeful" may be the best way to sum up the activities that have their center at 908 West Broadway in Louisville—activities which, over the years, have kept L&N nestling right up with the leaders in just about every positive measure of railroad performance.

Certainly, L&N has problems—including key problems in the broad area of financing the service/equipment/property improvements which will be needed. But it also has a firm grip on planning for those improvements. And it would seem safe to say that what management can do, management will do.

In this latest in the Management Close-up series, Railway Age Senior Editor Gus Welty and Associate Editor R. D. Bartley talked about problems and prospects with a cross-section of L&N officers—leading off the discussion with President William H. Kendall and his top people in the executive/finance/law area: R. E. Bisha, vice president-executive department; P. M. Lanier, vice president-law; L. W. Adkins, vice president-accounting and taxation; and C. H. Edwards, secretary and treasurer.

Q. Mr. Kendall, what does the coming decade hold for the L&N?

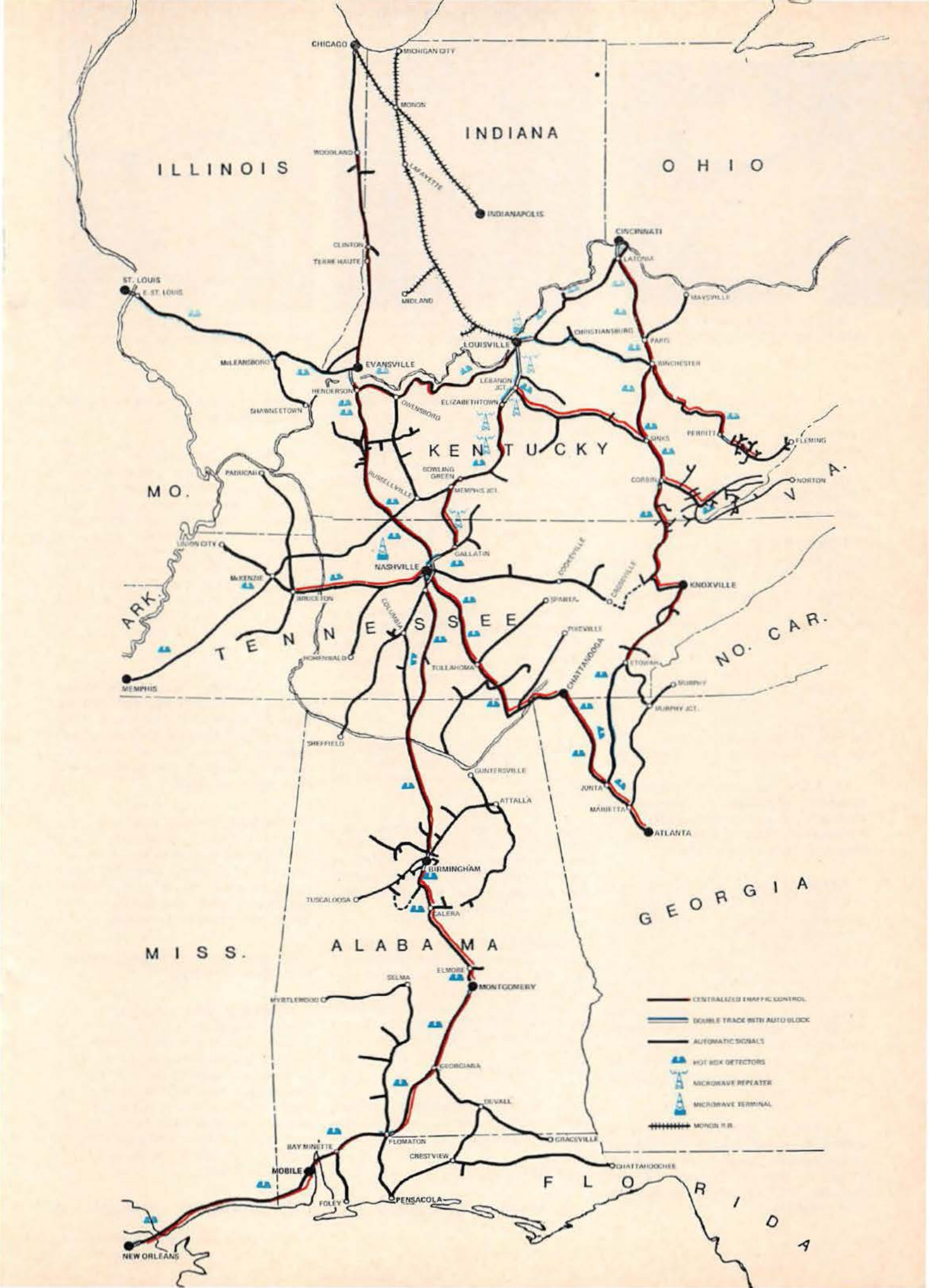
KENDALL. It holds the promise of growth—and it is a promise that we intend to cash in on. The Southeast is growing. We are going to grow with it. There are problems, yes, for the industry as a whole and for the L&N. But these are problems that can be solved and that must be solved—some by railroads themselves, and some with the help of a government which recognizes that a healthy railroad industry is essential.

Q. L&N's capital expenditures for 1970 have been heavy, even in comparison with 1966—which was the best year of the '60s for the industry and for most roads individually. What will year-end spending figures show—and what will you be doing in 1971?

KENDALL. Total capital expenditures for 1970 will be about $85 million for equipment and roughly $10 million for fixed plant. That compares with less than $80 million in the year you refer to, 1966—and to $94.5 million in 1969, the year in which we acquired Chicago & Eastern Illinois property and equipment. As for 1971: A lot will depend on the cash we have available for such programs. For a number of reasons—including uncertainty about revenues and costs, especially labor costs—we have hesitated to make a projection. To meet what we would consider normal traffic requirements, we would need an expenditure of about $60 million for equipment. What we actually do will depend upon our ability to find the money, the financing, to take care of that kind of program.

Q. Where does L&N stand in terms of working capital, and of debt maturities?

KENDALL. Our working capital position has been declining, as has the industry's generally. While we're not in a deficit position, we're not in a real comfortable position either. The cash drain we foresee from new wage settlements will make our cash problem one of the more serious problems we'll have to face. On long-term debt,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"I don't think equipment-money costs will get below 6½-6¾% for two years."

C. H. EDWARDS

"Railroads don't show less intra-industry cooperation than other industries."

P. M. LANIER

"Selective rate increases are best done with sophisticated costing procedures."

R. E. BISHA

we're in a reasonably good position. Our debt maturities over the next few years are less than those facing many other railroads.

Q. Are you looking for any significant decline in the cost of equipment money?

EDWARDS. We have had a continuing moderate decline since the highs of June and July were set. I believe, barring a too-expansive national monetary policy, that you will begin to see that decline accelerate after the first quarter of 1971, for equipment debt costs. However, I don't think that the cost of general long-term money for the railroad industry will get below 6½% or 6¾% for two years or so —particularly in view of the heavy backlog of corporate financing which has built up over the past several years.

Q. L&N has done a number of things to strengthen its position—including its success in getting entry into Chicago via C&EI. Can you put a figure on what this has meant?

KENDALL. Not a precise figure, no. We have had, of course, a traffic improvement—grain is one example. Corn produced in C&EI territory was normally distributed locally; a lot of it moved east. Now, with single-line service and rates and our ability to provide more equipment, more and more of this corn is moving into the Southeast, where it's used primarily as cattle and poultry feed. This, in turn, has tended to stimulate the growth of food-processing industries in the Southeast.

Q. You are well on your way to getting a second line to the Chicago area, through merger with Monon. What's the status of this proposal, now that the ICC has given its blessing-with-conditions?

LANIER. We petitioned for reconsideration, relating to the labor-protection conditions that were imposed. The only other petitions came from Detroit, Toledo & Ironton and Ann Arbor, and Soo Line. There isn't a whole lot before the Commission, and the issues are not too complicated. We've been anticipating that the Commission would pass on these petitions by the end of the year, or certainly soon thereafter.

Q. One condition would provide for Milwaukee Road trackage rights over Monon and for a Milwaukee part-ownership in Kentucky & Indiana Terminal—in effect, entry into Louisville. You didn't find this objectionable?

LANIER. We made no petition for reconsideration on this issue. Soo Line, of course, used it as grounds for its request for reconsideration.

Q. What about the condition which provides, in broad terms, that L&N must maintain service on C&EI at current levels for a 10-year period? Isn't this an unusual way for the ICC to approach such a problem?

LANIER. Well, I don't know of any other instance in which the Commission did it this way. But they were trying to quiet the fears of some that we would have an incentive to favor the Monon line. We didn't see it as a condition that merited any objection—because we don't intend to reduce service on C&EI.

Q. Are you anticipating, instead, traffic increases as the territory continues to build up?

LANIER. Yes.

Q. Actually, a good part of L&N territory can look forward to continuing industrial growth . . .

KENDALL. We believe the mid-South, the Ohio and Tennessee River valleys, the Gulf Coast are the areas where the greatest growth will be concentrated. Look at the tremendous amount of industry located within the past few years on the Ohio River between Louisville and Evansville, Ind., and on the Gulf Coast between New Orleans and Pensacola. The potential in this Gulf Coast area may be in excess of that in any other part of the South.

Q. Assuming that L&N/Monon merger is consummated, and that the Illinois Central/Gulf, Mobile & Ohio proposal goes through: Do you believe, with these moves, that the merger situation in the South and Southeast will have stabilized itself?

KENDALL. I would hate to make a prediction of that kind. So many factors can affect the determination of the desirability of mergers that the future could see great change in the railroad pattern all over the country. The South isn't excepted from that.

Q. How about inter-road cooperation, short of merger?

KENDALL. We're engaging in run-through operations with a number of western and southwestern roads. All southern-located railroads, as a matter of fact, are engaged in this kind of activity. It's one way to bring about some of the operating advantages of merger without actually having merger —through closer working relationships. I think we'll see more of this kind of activity.

Q. Intra-industry cooperation, of

"Penalty per diem is not understood by the public—and maybe government."

L. W. ADKINS

course, is a factor given some emphasis in the ASTRO report. At the same time, history shows us a long record of intra-industry battling over such things as per diem, divisions and so forth. What's your comment on this?

KENDALL. In retrospect, this situation probably looks pretty bleak. But I'm not pessimistic to the point where I don't believe we can become more effective by working as an industry. I feel that perhaps instinctively we are headed in that direction.

LANIER. The legislative field perhaps offers the best example of industry members cooperating—and this is because they have, generally, a very definite common interest.

KENDALL. This whole matter of per diem is something that must be settled—because it does affect the ability of individual railroads to acquire equipment. And certainly we all know that lack of equipment is one of our real disabilities today. We need to find some way of creating a more equitable distribution of the burden of ownership. L&N's ownership, for the size of the railroad, is very substantially higher than that of many other roads. And this is a real burden, when we face today's interest costs, today's materials costs, and all the other costs that go with acquisition and ownership of new equipment. We have spent a lot of money to try to keep pace with traffic growth in our area. But when we find our equipment being used predominantly on other railroads, we have to take another look at our economic situation—whether we can continue to buy equipment for which we are not being adequately compensated through per diem settlements.

LANIER. Let's explore this matter of cooperation. I don't know that the lack-of-cooperation charge leveled at the railroad industry is justified—relative to what goes on in industry generally. Look, for instance, at the petroleum industry—at its clashes of interest between big producers and small ones, between domestic producers and international ones. You'll find a substantial lack of cooperation in any industry when the individual company's interests come into play. But by the nature of the railroad business, we have to work together in so many areas. The public may see us as a single unit—and so when we do get into a dispute, perhaps that dispute becomes magnified. If you really sat down and studied it, I don't believe you would find that railroads show less intra-industry cooperation and understanding than other industries.

BISHA. Publicity is another factor. Take a disputed merger case, for example. The ICC is a forum where everybody is heard. The hearings drag on for a long time, and a lot of publicity is generated. And it seems, in this and in other matters, that more weight is given to arguments in the industry than to the ways in which railroads work to get along together.

ADKINS. We have to consider, too, a certain lack-of-understanding factor. Of course, each road is an individual entity and each road has its own peculiar situations to contend with. Sometimes we get criticism because the people doing the criticizing simply misunderstand the problems. For example, take the penalty per diem which is now in effect to provide incentives to buy equipment. The public, and maybe even government, doesn't seem to understand the problems this has created.

Now, there are many railroads that have contingent interest bonds outstanding; if they have earnings up to a certain level, they have to pay the interest. As matters stand now, the penalty per diem collected by a road becomes part of its income—but the cash is, in effect, placed in trust for use only for purchase of equipment. This added income could run a road's profits up to the point where it has to pay the contingent interest—but it has no cash, because the cash had to be set aside to buy equipment.

LANIER. Getting back to positive examples of cooperation—I think you could point to ACI as an excellent example of a cooperative effort that will redound to the benefit of everybody who has anything to do with rail transportation.

Q. ACI, of course, was a situation where the will of a majority—acting through the AAR—was imposed on a minority, and for a while there were some pretty anguished cries . . .

KENDALL. I'm inclined to believe that in the beginning there was a certain lack of understanding as to what ACI could do. In other words, all the homework had not been done before the program was initiated. The minority may have felt that they were more or less dragged in. But I don't believe they would feel that way today, now that the program is under way and some of the real benefits can be looked at. In all things, though, we have to realize that we are an industry of many different companies, each with its own priorities. In the AAR and elsewhere, it's a matter of composing these differences to the best interests of the industry. I don't believe you can overcome this—that is, the differences among individual railroads with respect to their needs. We are just not all alike.

Q. When we talk of individual priorities, and of financing problems—assuming that L&N had, or could find, the necessary funds, where would your priorities lie in improving the property. More freight cars, of course. But would you anticipate that fixed-plant improvements will loom larger in the future?

KENDALL. That depends somewhat upon our ability to make progress with the employee organizations to improve productivity. Until we can see something definite in the way of eliminating excess labor costs, we have an investment problem. We certainly cannot afford to put in capital improvements that would produce savings unless we can actually make those savings. This is one of the drawbacks in our planning effort. We can make mechanical improvements, but we are less able to make improvements through showing increased productivity per man-hour.

Q. Do you see a possibility that government may, in some ways, steer the course of capital investment—through exerting force, for example, under the safety act?

LANIER. "Force" seems a misnomer to me. And I bridle a bit at the idea of force. We know our needs. We allocate what we have according to the priority we put on these needs. Granted, if government—under some safety regulation—saw a different priority, then I judge that under the act they would have some power to en-

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"ASTRO DOCUMENTS THE INDUSTRY'S SITUATION"

force their view. Our problem has never been a disinterest in doing things that ought to be done; our problem has been one of allocating available resources. And when we talk about government enforcing things in certain areas, we should also point out that the ASTRO report contains a number of recommendations concerning government assistance which is needed so that we may do some of the things we have not had the resources to do.

Q. How about the effects of rate increases on revenues, on business levels—and on the generating of resources for making improvements?

KENDALL. There's no doubt that these increases are going to drive away some business—and perhaps they should. We all have traffic that I think we have no business handling at present-day rates. We can't justify dedicating the necessary equipment to continue to handle it.

Q. How about the matter of making selective rate increases

BISHA. This occurs when competitive modes of transportation are available and can be best done when your internal costing procedures are sufficiently sophisticated—and ours are—so that you know your relative position rather precisely. Of course, any time you make an exception, then the next time an increase comes along it's expected that the exception will be made again. This can become a rather thorny problem.

Q. The industry makes much, and rightly so, of its low rate-of-return, and of the fact that equipment bought at 8% or 9% earns a return far lower than that. But rate-of-return has been depressed for years, and the industry keeps operating. Penn Central files for reorganization, and the trains keep running. Have these seemingly contradictory conditions contributed to a lack of concern about the industry, in Washington and elsewhere? Does the public feel that "We'll always have railroads, no matter what?"

ADKINS. To continue to do business in the face of a deficit working-capital position would be unheard-of in the steel business or the automobile industry. But by the nature of the railroad business, there is such a terrific cash throw-off from depreciation that you can be in a deficit working-capital position and still generate sufficient cash. And as long as the depreciation throw-off of cash is equal to your debt service, you keep your head above water. It's a poor excuse for good business, but nevertheless it's what has kept railroads running.

EDWARDS. However, it's apparent that depreciation, at least in recent years, has not been sufficient to support the industry's working-capital position. Debt and debt-service costs have continued to rise without a sufficient compensating increase in the amount of depreciation taken.

LANIER. I think a lot of people have taken the position stated in your question. Over the years, they've heard about railroads' problems—and they've seen us keep operating. Not, I hasten to add, because of any positive response from the public but rather because railroads have been imaginative and innovative, and because management has been good. But I also think that the proof of what we've been saying about problems has really become clearer during the past year. If we can't convince people now that our problems are real and that there are fundamental things government has to do—well, I don't know when we can. The Penn Central reorganization, the problems the entire transportation industry is having—these things should stand as objective proof that we were speaking accurately and truthfully when we said we had problems that have to be faced up to. I'm hopeful that Congress will do something about it this time—because I think there are objective factors that can convince people now of what we have been unable to convince them in the past.

Q. Industry's case is not only stronger now, but also better documented?

LANIER. It seems to me that it is. I don't know how you can document it better than Penn Central, Lehigh Valley . . .

BISHA. If we don't have an atmosphere now in which we can push to the maximum, I doubt if we'll ever have that opportunity before complete chaos develops.

EDWARDS. One of the questions is whether people are willing to accept railroads as a part of private industry —or whether the public has it in the back of its mind that the government can and will take over the railroad industry just as it has in other countries. It appears to me that this may well be the greatest hurdle the industry has to overcome.

KENDALL. The ASTRO study serves as a documentation of the industry's situation. Just by looking at the figures, you could have predicted what did happen on Penn Central. Just by looking at the figures, you can almost predict that this will happen someday to all of us, unless certain things are done. We just cannot survive when we are forced to replace today's equipment with new equipment that costs three or four times what the original equipment cost. Rate-of-return just cannot support such economics. L&N, of course, is fortunate in one respect as regards its debt. We had far-sighted predecessors who refinanced our fixed debt in the late 1940s, on a long-term basis at interest rates of 2½% and 2⅝%. Where would we be today, if we had to refinance that debt and still try to earn some return?

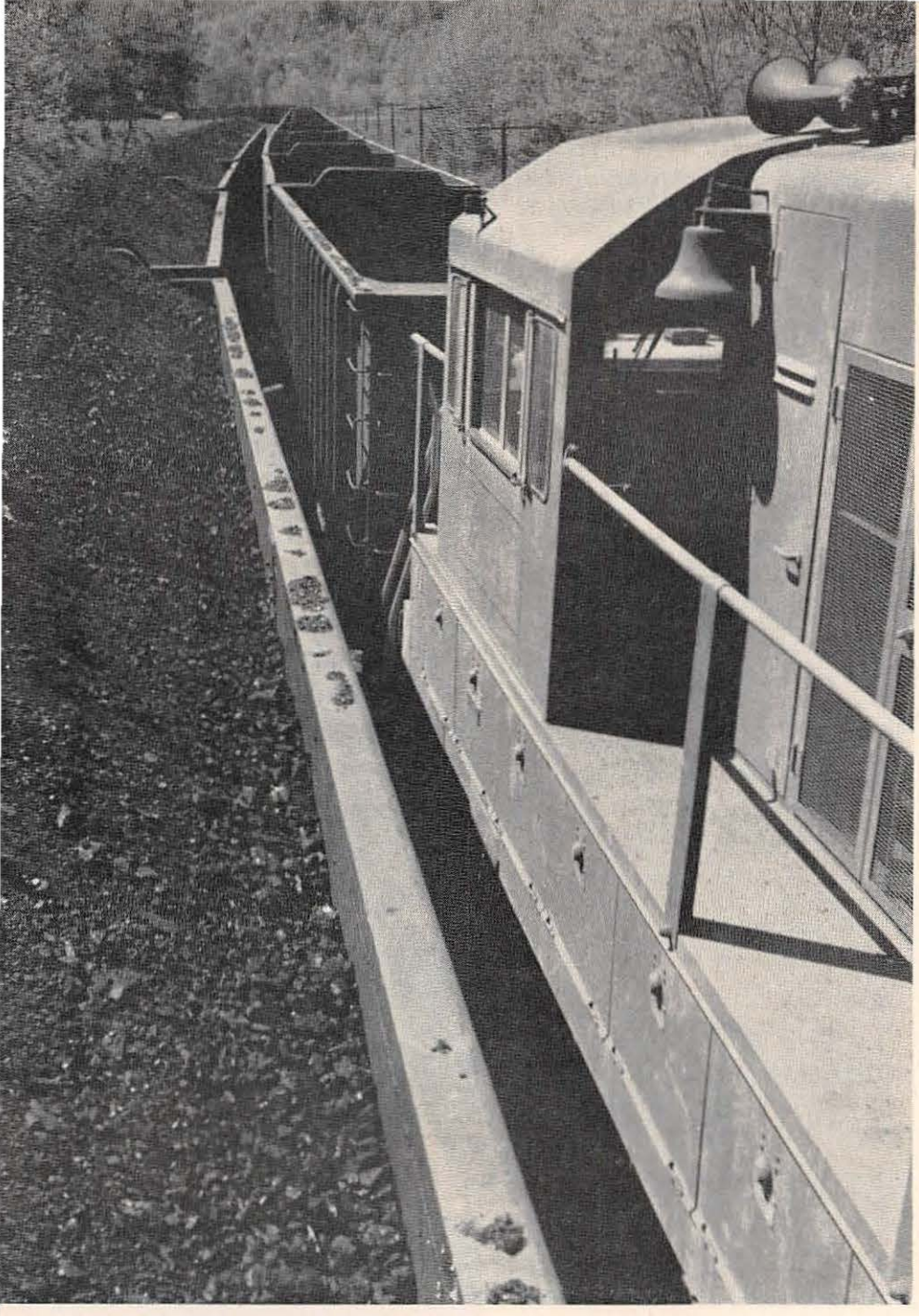
Q. Railroads are making a massive effort to enlist support for ASTRO—including, importantly, support from the people who work for railroads. Do you see evidence of labor support at this point?

KENDALL. Yes, I think the labor organizations are very serious in their determination to support the objectives of ASTRO. It's my understanding that we will have their active support on bills related directly to ASTRO.

LANIER. During this past year, labor and management have worked together on a good part of the legislative program. On Railpax and the tax-discrimination legislation, for example, labor was of substantial assistance.

Q. This would seem to indicate that the meetings between top people in management and labor are really accomplishing something, in developing mutual-interest programs . . .

KENDALL. These committees have been meeting regularly and, I would say, successfully in coming to a common understanding on the objectives that must be shared by management and the labor organizations. I'm very hopeful that labor's support of ASTRO and labor's recognition of the seriousness of the industry's problems will generate a definite interest in mutually working out some of the other problems we have which are basically management's and labor's.



COAL TRAFFIC on the Louisville & Nashville goes up and up and up.

L&N watchers say, "That's a good road"

The railroad may be well above the norm in its potential for traffic growth—and in how it is building its sales effort.

It is easy to get the impression that Louisville & Nashville's massive old GHQ in Louisville is actually a thoroughly up-to-date industrial plant—where the products, coming off the assembly-line in a steady stream, are ideas and plans and proposals aimed at making a good railroad even better.

Consider, for example, just a few of the major items now in one stage or another of planning and execution:

—Development of a network model which, by spring of 1971, should be providing L&N with simulation capabilities surpassing those which any other U. S. road has come up with thus far.

—Establishment of spot locomotive maintenance/repair facilities at key points, and re-directed programs of preventive-maintenance for motive power.

—Development of a new generation of car-repair facilities, to improve upon the spot facilities which the road already has installed at all major terminals.

—Further improvement in car utilization across-the-board, through a variety of programs. For coal traffic, further exploration of unit-train operations, spurred by figures showing that during one recent month approximately 8% of the available cars accounted for almost one-third of the coal carloadings.

—Further refinement of maintenance-of-way practices, following up on a departmental reorganization that took place about two years ago. By April 1971, hopefully, first production from a new rail-welding plant designed to increase the capacity and improve the quality in rail-welding operations.

—Improvement in a great many functions which could be lumped under a general heading of accounting-processes, to take greater advantage of computer capabilities.

OPERATIONS RESEARCH

By next March 1, L&N people are predicting, the network model "will be something we can really be proud of." Simulation techniques, however, are already working to the road's advantage—as evidenced by the first test run on the system, a test that wound up with gratifying if bemusing results: Simulation of an operating change told researchers that putting the change into effect would produce a service improvement amounting to 48.7 hours. The change was made. A month later, L&N made a check on the new operation—and found the service improvement to be precisely 48.7 hours.

In putting the model together, L&N

has tried to avoid over-complicating things. Actual business-handled figures are used in the simulation—and researchers are convinced that "our car records are so good, nobody has a better base on which to build." L&N has also held the number of major points in the model to 26—points where cars can enter or leave the reporting system.

TRAFFIC DEVELOPMENT

When Vice President-Operation D.D. Strench observes that L&N "has always been a service-minded railroad," he gets no demurrer from the sales-and-service side—where Vice President Douglas McKellar praises the operating organization for putting L&N "well above the industry norm in service reliability."

L&N may also be above the norm in its potential for traffic growth—and in the way it is strengthening its sales effort.

McKellar points out that over the past 10 years the South has seen great growth in the paper industry. Now, the aluminum industry is coming in, especially along the Ohio River. A number of L&N points—principal among them, Jackson, Tenn., and Bowling Green, Ky.—are enjoying an industrial boom. Kentucky, Tennessee and Alabama get high marks for industrial promotion—and prospects look good for new development in the Florida panhandle as well as along the rest of the Gulf Coast.

L&N can also look forward to business increases stemming from its push north through Indiana to Chicago. Markets for C&EI-originated corn have been opened up in the Southeast; additional grain, coal and steel traffic can be anticipated at such time as Monon becomes part of the L&N system. And, McKellar notes, expansion of this kind carries with it an important by-product, in providing L&N with part ownerships in terminal properties in Chicago and Louisville.

This kind of growth will be welcome—as L&N tries to bounce back in 1971 from a mild slump in other-than-coal traffic experienced during 1970. The forecast for '71 is for an increase of about 3% in other-than-coal loadings—which would put volume back up to 1969 levels. Taking rate increases into account, revenue figures should be substantially higher—as they have been in '70, running about 13% ahead of 1969 (in terms of total operating revenues) through the first nine months. It is perhaps significant, too, as Director of Sales Jack E. Nall points out, that despite a fall-off in business in every other territory, L&N's Chicago and Chicago Region sales territories posted increases of 12.9% and 9.5% respectively through the first three quarters of 1970.

L&N people cite the usual reasons for the over-all decline this year—the general softness in the economy, and the motor-carrier strike/lockout early in the year.

As L&N points toward sales increases in '71, the quality of the sales effort will be getting top-priority attention from McKellar and Nall—and the sales force itself will be getting an improved set of tools to work with. L&N's service-counter concept is in and working—bringing transportation and sales together at five major points and at a system service center in Louisville. And a computer-based centralization of sales information is permitting top management to direct the sales operation with a new precision.

Since the mid-1960s, L&N has been refining its calculations of traffic profitability. Sales management also now has a realtime grip on business handled with virtually any customer. Key document is a daily commodity loadings report which provides an estimate of L&N revenue dollars which has proved accurate to within one-half of one per cent.

McKellar is convinced that "too many railroads still look at gross dollars. We look at net." He also points out that L&N "does not enjoy a great amount of locked-in industry. But maybe that's to the good. Without competition, you can get lazy—and develop some pretty bad habits."

L&N salesmen are trained to get on the inside of their customers' operations—and to determine what part of total traffic L&N might handle. As Nall puts it, "if three roads are competing for a particular piece of business, nobody here is going to be satisfied with a one-third cut. We want our people to figure reasonable potentials—and then get to work on them."

COAL TRAFFIC

While the slump in the economy has hurt L&N in a number of areas this year, coal traffic has been showing nothing but increases—and coal may add up to as much as 45% of tonnage handled when final figures are in. By comparison, coal was 39%-plus of freight tonnage last year.

J. E. Gobrecht, assistant vice president-Coal Department, has been watching a steady string of increases. Until 1970, L&N had to go back to 1948 to find a month with coal loadings of 4 million tons. But June 1970 showed 4.1 million tons, August was

"The L&N has always been a service-minded railroad."
D. D. STRENCH

"Too many railroads look at gross dollars. We look at net."
DOUGLAS McKELLAR

"Chicago and Chicago-region sales moved up in 1970."
JACK E. NALL

4.2 million, September was 4.3 million—and October wound up with a record 4.6 million tons.

L&N had projected a substantial increase in coal traffic this year—an increase from 578,000 carloadings in 1969 to better than 630,000 carloadings in '70. But with the third-quarter boom, Gobrecht was revising the estimates upward, perhaps to 650,000 carloads. With this experience and with the coal market now extremely volatile, L&N by November had made its 1971 forecasts three times—and it was continuing to keep a close watch on shippers' and receivers' plans.

In 1970, about 53% of coal loaded in L&N territory has gone to electric utilities, with 17% bound for other industrial uses, 17% for coking and most of the remaining 13% headed out of the country, to Canada or overseas. Gobrecht forecasts little change in the percentages next year, with utility coal perhaps gaining a point and coking coal perhaps dropping a point.

THE AIR-POLLUTION PROBLEM

With all the emphasis today on reducing air pollution and with much L&N-territory coal high in sulphur content, severe problems may lie ahead—but L&N does not think so.

Coal mined in eastern Kentucky, Tennessee and Alabama is low-sulphur, generally ranging from 1% to 2%. Coal mined in western Kentucky is higher in sulphur content, running 3%-4%. But, Gobrecht points out, many of the largest mine expansions are taking place in western Kentucky. Within the past year, five major operations have been completed—two of them served only by L&N, and each with planned output of 2 million tons a year or more. And in the future-book are plans by one coal producer alone to open 13 new mines, three of which will be in western Kentucky.

Gobrecht sees several factors at work which explain the apparent contradiction between the anti-pollution fight and the actions of the coal operators.

First is the demand for electric power—demand which in some areas has already outstripped the capacity of electric utilities to deliver.

Second is what Gobrecht refers to as "the nuclear-power debacle." A lot of people, he believes, were taken in by the sales pitch for the nukes—and thus paid less attention than was warranted to the expansion of coal-fired plants. But a nuclear power plant is expensive. It can take as much as seven years to get one producing. After such a plant is in production, there are maintenance problems. And, while there has always been opposition to nuclear installations on safety grounds, now there is also opposition on thermal-pollution grounds.

Third is Gobrecht's conviction that coal-fired power plants will be able to make significant reductions in air pollution—even if they are burning relatively high-sulphur coal. New plants, he notes, are being built with high stacks and with electrostatic precipitators to reduce pollution. And there is great promise in processes by which the sulphur throw-off can be converted into sulphuric acid (which, at current price levels, will bring about $25 a ton).

There will be—no surprise—an increase in unit-train operations with dedicated equipment. L&N is now operating 16 scheduled unit trains—with equipment utilization that borders on the fantastic. When a carrier can handle roughly one-third of its coal traffic with less than 10% of its available cars—which L&N did with its record-high October coal loadings—the emphasis in the future has to be on the unit train.

Who will own the equipment? Both the railroad and the utility. During 1970, L&N added 2,775 -80- and 100-ton open-top hopper cars to its fleet, along with 500 rebuilt 60-ton cars. But '70 also saw the utility-owned equipment coming online, from Public Service of Indiana and Georgia Power.

Mines and utilities are going along with the trends—with both loading and unloading facilities being built for high-speed and (insofar as possible) automated operation. And L&N is all for it: If a unit train can be loaded or unloaded in four hours or less, L&N hangs onto the train—with consequent benefits both in service and in equipment and power utilization, and a corresponding level of freight rates attractive to both shipper and receiver.

In the meantime, Gobrecht is concerned about a couple of things. One is the "dislocation" of the coal market, which can cause severe car-supply problems as L&N puts coal into distant utilities never before shipped to from L&N territory. A second is L&N's involvement in the export market, and the slow equipment turnaround which plagues virtually everybody in the export business. Turnaround on cars loaded with export coal had run about 33 days, earlier in 1970—a good bit more than double the average on the whole fleet of coal-carrying cars. However the institution of a permit system by the port line, whereby coal could not be loaded back at the mines until the exporter had a boat name and probable arrival date for the vessel at the port, has cut the turnaround time.

EQUIPMENT IMPROVEMENTS

Equipment utilization also gets front-and-center attention in L&N's mechanical department—where C. N. Wiggins, assistant vice president-mechanical, is planning a new look in both motive power and car maintenance.

Wiggins is concerned, first, with power reliability. Today's high-horsepower diesel-electric "is a sophisticated unit, compared to the units that came before. And power is not performing as dependably as it should."

L&N will be making several moves to correct this situation. One involves training, another preventive maintenance, and a third the revising of repair-shop facilities.

Shopcraft training has been instituted at Louisville for employees in both locomotive and car areas. Apprentice training has also been stepped up: In the past, Wiggins recalls, L&N had a ratio of one apprentice to seven mechanics—but now, the ratio is about one-to-four in major shops.

Preventive maintenance will get a big assist from the computer. With the benefit of historical data on the fleet, L&N will be able to schedule maintenance on a time/mileage basis which, hopefully, will make possible the replacement of various components before service failures occur.

Shop improvements will quite likely involve the setting up of spot-repair systems at key points—Louisville, Nashville and Corbin, Ky. The goal is development of facilities designed for maximum productivity with available manpower—and the spot system, Wiggins believes, offers the best potential.

L&N is no stranger to the spot-repair concept, with such systems for freight-car repair installed at all major terminals. But even in this area, Wiggins sees room for improvement. It is time, he says, "that we look at a second generation of repair facilities. We want our industrial engineers to take a look, to see if we can improve on what we have."

One reason for this intense interest is that car-repair and -maintenance problems seem to be on the increase—at least in relative terms. On 100-ton hopper cars, for example, L&N is finding more flange wear than on lighter cars; bolsters also have to be renewed more often. At the same time, Wiggins is quick to note, these added maintenance problems mainly involve high-utilization equipment: Experience thus far indicates that cars are being shopped more frequently—but on a basis of mileage and not of time.

In every area where it is possible, L&N mechanical forces will be taking advantage of the computer—and the

"Coal-fired power plants will be able to reduce air pollution significantly."
J. E. GOBRECHT

"Today's motive power is not performing as dependably as it should."
C. N. WIGGINS

"Our M/W expenditure has gone up substantially in recent years."
J. I. ADAMS

CAR UTILIZATION is a hot topic with Louisville & Nashville officers—here are J. W. BOSLER, N. K. FERGUSON and R. L. GRIMES.

big area for 1971 will be back in the motive-power department, with computer scheduling of preventive maintenance. Wiggins wants and is getting more data on road failures and delays, on locomotive performance by class of power, and on performance of components. All of this, he is convinced, will be valuable not only in improving utilization of the existing fleet but also in helping management make decisions on purchase of new power as well as major components and other parts.

Locomotive manufacturers, he says, "have been most helpful in all of this—and believe me, we have been discussing our problems in minute details with them."

M/W IMPROVEMENTS

Two years ago, L&N reorganized its maintenance-of-way operations—and, while long-range goals were set up at that time, Chief Engineer J. I. Adams and his staff are still seeking more effective and more economical ways of meeting those goals.

L&N's traffic patterns can put severe strains on an M/W department—with coal, in 100-ton cars and unit trains, originating in so many areas and moving over so much of the railroad. On L&N, Adams reflects, "practically every piece of track in the coal fields has to be capable of handling six-axle locomotives and 100-ton cars." With this type of operation, a railroad needs something extraordinary in track stability—and so it is not surprising that much of Adams' planning has been aimed at making the kind of improvements (especially in improving drainage) that will provide a firm footing for the heavy tonnage.

"Our maintenance-of-way expenditure has gone up very substantially in the past three years," Adams notes. L&N today is working mechanized track gangs in territories where they have not been used before. And more mechanization lies ahead—because it is the only way Adams can see to improve quality of maintenance and, at the same time, try to stay even with increasing labor and material costs.

One goal will be to organize operations to utilize more efficient and effective material-handling equipment such as tie track cars, ballast cars and other specialized equipment. L&N is now looking closely at its bridge department—testing a truck-based operation with a unit equipped with a variety of power tools and with a crane that can handle heavy timber. At the same time, Adams says, the road is also working a pile-driving operation which makes use of an on- and off-track crane rather than the traditional pile driver. Result: A more effective operation.

In looking toward '71, L&N's chief engineer has a certain confidence about his department's capabilities in three key M/W areas—tie and rail installations and surfacing.

Through the first 10 months of 1970, L&N installed more than 650,000 ties. Says Adams: "If we can timber every year as we have this year, we'll be OK."

This year's new-rail program was more ambitious than 1969's; next year's is expected to total about 270 miles of welded rail. Helping this along will be a new flash-butt rail-welding plant at Radnor Yard, which will start a first line in service by mid-year.

Again through 10 months of '70, L&N surfaced more than 1,640 miles of track—a performance which, on an an-

"We are making sure the L&N earns its reputation as a service-minded railroad."
S. P. STRICKLAND

nual basis, Adams also regards as adequate. He is, however, planning a change in L&N's surfacing program for next year. L&N has been using three types of gang—a full-production unit, a smaller version of the full-production gang, and a joint gang. One change will involve the joint gangs: L&N will equip the tamper with a light beam so that jointing and smoothing can be performed more uniformly and effectively. L&N also now plans to operate enough tampers to make its production gangs tandem-tamper-equipped. Adams sees a couple of advantages—one of which is that a mechanic can be assigned to a gang on virtually a full-time basis, so that equipment maintenance breakdown problems will be minimized.

While Adams is confident of L&N's ability to improve M/W operations, he is not so confident that better track materials will soon be available—at least in the crosstie area. L&N has tested concrete ties, and "we have had very poor results." Concrete ties installed in one test mile are being removed. Laminated wood ties have also been put in for test—but Adams says it is still too early to pass judgment on this experiment.

At the same time, L&N's chief engineer would never discourage R&D efforts: "We just have to have something as good as or better than the wood tie—which is becoming harder to get and more expensive. But whether it's going to be concrete or plastic or laminated wood—I don't know."

OPERATING TECHNOLOGY

In a good number of technological areas, L&N is reaping benefits today—and looking for more tomorrow. There is its relatively new microwave system, linking Louisville and Nashville . . . and the two ACI scanners it has installed on test, while system and terminal studies look toward future scanner utilization . . . and the 50 hotbox detectors it now has operating, again while studies look toward additional installations.

Vice President-Operation Strench is not an up-from-the-ranks L&N man, nor did he come over from L&N part-owner Seaboard Coast Line. He's an up-from-the-ranks operating officer from another hard-nosed, operating man's railroad, Southern. He talks frankly about what may and may not be ahead for L&N. For instance:

Does L&N plan substantial physical revisions in its terminals? "The pattern of the classification yard has become standardized. Of course there's new technology and new techniques and new equipment available in newer yards. We're studying our older yards, with the goal of bringing them up-to-date where this is needed."

Will L&N build a major new terminal in the Chicago area? Again, no. Substantial improvements have been made in the joint L&N/C&EI Yard Center operation, "and it is adequate to handle present and foreseeable traffic." Monon facilities are deemed adequate for such time as L&N/Monon merger comes about.

Is L&N, with its particular traffic patterns, interested in mainline electrification? Strench will say that L&N has looked at electrification with interest and that one potential motive-power supplier has raised the question—but "no detailed economic studies have been made."

What kind of motive power will L&N be acquiring, as the average age of its fleet inches upward? Manufacturers can expect orders across-the-board. As the coal business increases, there is need for higher-horsepower units. There is also a replacement-market need for both intermediate-horsepower units (1,800- to 2,500 hp) and switching units. L&N orders this year were divided, but the concentration was on intermediate-range power.

How does L&N look upon the short-fast-frequent train concept? At this point, L&N's plant is geared to the type and length of trains it now operates. Any extensive venture into a short-train operation would require a substantial investment in plant changes—and under present circumstances, with L&N's service capabilities and with existing labor restrictions, these do not seem warranted. As Strench points out, L&N made a proposal on manning of short (75-car) trains. The proposal got nowhere and, he says "I cannot see a great deal of merit in operating shorter trains, per se, with present restrictions on mileage and with wage bases and crew sizes as they are."

PROVIDING THE SERVICE

Over in the realm of the here-and-now possible, Chief Transportation Officer S. P. Strickland and a fired-up staff are making sure L&N earns its reputation as "a service-minded railroad." New car-control programs are being tested . . . Pre-blocking and run-through operations have been expanded, and more such operations are under study . . . Power distribution and train and terminal operations are being closely coordinated . . . Progress is being made in hacking away at the mountain of paperwork involved in running a railroad . . . And that checklist just scratches the surface of the activity file of Strickland and his aides.

In the car-control area, L&N has two distinct systems operating—two systems which Manager-Car Utilization J. W. Bosler says may eventually be combined. The first current system is a phone-based realtime control/distribution operation covering woodrack, woodchip and cement covered hopper cars—and it is working. Using this system, Bosler notes, L&N has actually been able to create a surplus of woodrack cars—even though loadings have been up, and there has been no significant change in the service involved.

The newer of the two systems is billed today as a pilot project in which the road's 850 grain covered hopper cars are getting around-the-clock surveillance. This operation has been in for only a few months—but it, too, seems to be working.

Car utilization is also getting a powerful boost from L&N's emphasis on pre-blocking and on working out run-throughs where volume of traffic justifies. Two major run-throughs have been in operation for some time—Birmingham/New Orleans/Houston via L&N/Southern Pacific, and Nashville/Memphis/Pine Bluff, Ark., via L&N/Cotton Belt. More recently, L&N hooked up with Burlington Northern on a run-through via Woodlawn, Ill., which has a couple of significant elements. R. L. Grimes, assistant chief transportation officer/operations, notes first that the L&N BN linking involved a not-inconsequential expenditure on the part of the two roads—and that the two managements readily OK'd the investment to improve service. He also points out that the direct connection is providing a much faster return of empty equipment westbound. There is a per-diem saving for L&N, to be sure—but more important in the long run may be the simple fact that

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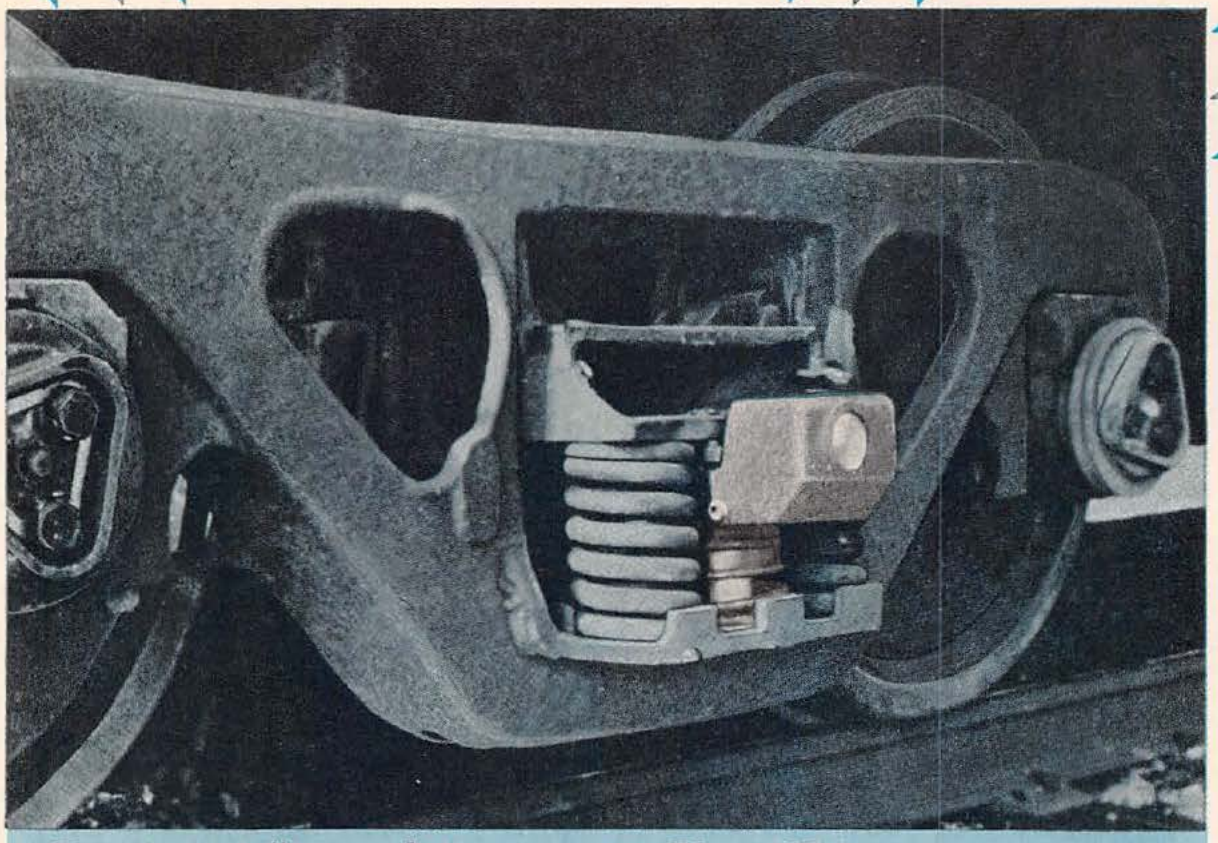

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empties are getting west, where they are almost always needed, and getting there in a hurry.

Nerve center of L&N train operations is the train director's office in Lousiville—an office set up in such a way that the director can work closely with the road's locomotive utilization bureau and with a top traffic officer.

L&N's attack on the perennial paperwork problem is, of course, a multi-department operation—headed up, in Strickland's area, by N. K. Ferguson, assistant chief transportation officer-planning and procedures. In the field, L&N is attempting to consolidate as many agencies and yard-office operations as possible. Centrally, it is trying to load as much work as possible onto the computer.

Ferguson's project list includes the handling of demurrage through the computer . . . . computerizing of switching charges . . . computerizing of yard and road crew time returns. L&N is already processing all delivered interchange reports through the computer; it is studying the establishment of a central rating bureau for outbound prepays.

TOMORROW'S L&N

There is, around Louisville, an air of quiet confidence—tempered by the knowledge that L&N is part of an industry that has severe problems, and that L&N shares those problems. In 1970, for instance, L&N could cheer an increase in total traffic and a substantial increase in total operating revenues. It could at least be satisfied, under the circumstances, with its performance in the intermodal area—where Assistant Vice President D. F. Jones and his people managed to hold even with 1969 results. But there has been little to cheer about in the sharp rise in operating expenses, mostly due to sharp rises in labor and material costs. And net income is down.

For '71, the revenue outook is generally favorable. Coal will be strong. TOFC/COFC is expected to show growth once again. Traffic other-than-coal will, by all odds, show greater strength than in '71. And from an operating standpoint, moves L&N is now making and planning should give it added competitive punch.

On occasion, the frankest assessment of a railroad and of a management can come from the outside—from other railroad men who work with and/or compete with the people they are assessing. On this score, L&N comes off with high marks, today and for tomorrow. Two long-time L&N watchers sum up L&N this way: "They're unflappable. They may not make much noise about it—but that's a good railroad." ■

Watching Washington

REID BEDDOW

HEADACHES FOR RAILPAX

Only four months are left to organize a corporation that will operate all U.S. intercity rail passenger service. That's a tall order, even with today's reduced service. The Federal Railroad Administration has brilliantly covered a lot of the groundwork, but the period between now and May 1, when Railpax is supposed to commence operations, must perforce contain a lot of headaches for the system's newly named incorporators (see page 23). One problem already furrowing brows: How to finance and implement a nationwide reservation system and a national advertising campaign that will persuade the public to ride the rails.

Meanwhile, the hassle over basic Railpax routes continues. Railway Age has learned that the Mexican government is thinking of filing a protest over the lack of a linkup between its National Railways and Railpax through Laredo, Tex. In Canada, CN said its Grand Trunk Western subsidiary would apply to join Railpax, but expressed regret that Albany to Montreal service, now operated by Penn Central via the Delaware & Hudson, would be dropped under DOT's preliminary route plan. CN said it would not initiate any protest over the drop, but would like to hear proposals for its restoration.

FINANCIAL PANEL WON'T MEET DEADLINE

In Washington, Railpax's financial advisory panel held its first meeting Dec. 16. It elected as chairman Daniel W. Hofgren, vice president for corporate finance of Goldman Sachs & Co.

Later, Hofgren told reporters the panel could not possibly meet its Jan. 1 deadline for reporting to Congress on the financial prospects for Railpax and would ask for a time extension.

A time extension was on other minds.

Rep. Donald M. Fraser (D.-Minn.) with 20 co-sponsors introduced a bill that would delay for six months both Railpax's startup and the final report on DOT routes.

Congressman Fraser is unhappy that Minneapolis-St. Paul were not included as a terminal point in the preliminary route plan. His bill had no chance in the waning days of Congress, but it could be introduced again after Jan. 11.

Congressional nitpicking probably will plague Railpax forever. On Dec. 17, Sen. Lee Metcalf (D.-Mont.) summoned DOT Under Secretary James M. Beggs before his Senate Subcommittee on Intergovernmental Relations to answer charges that Railpax's financial advisory panel was dominated by banking and rail interests.

Senator Metcalf said the Railpax Act required seven members of the 15-member panel to represent the public. Beggs replied that since the panel's function was to raise capital, "it was necessary to name people who . . . were most knowledgeable in . . the ways of raising private capital."

FIRST SERIES of MP's new sales-management workshops drew rave reviews. Manager-Sales Training H. J. Ducote (standing) helped develop the curriculum.

MP sales training takes a new tack

VIDEOTAPE REPLAY SYSTEMS will be used in MP's sales-technique workshops as an aid to salesmen in evaluating their performance in a wide variety of sales-call role-playing situations.

When a railroad says "Hey—we're starting a new sales training program," the first inclination is to ask: "So what else is new?"

But if you put that question to Missouri Pacific's Vice President-Traffic Joseph A. Austin, or Assistant Vice President George A. Craig, or Manager-Sales Training Harris J. Ducote, you are going to get quite an answer—because there is quite a bit that is new about the MoPac program.

MoPac is well aware that it is a relative latecomer to what may be called the "scientific" approach to this kind of training. Down through the years, the road has followed, more or less, the traditional pattern for developing sales representatives and managers: up from the ranks, learn by watching and doing. Now, however, Ducote is setting up programs stretching from the bottom to the top of the traffic department. A series of seminars for sales management was completed earlier in December; beginning next March 1, Ducote will launch a series of five-day, every-other-week workshops for agency heads and traffic representatives. This second series of meetings will last through October; by windup time, some 350 sales personnel will have gone through the course—including traffic people from the rail-subsidiary truck line and from Chicago & Eastern Illinois.

The over-all goal, as Austin puts it, is to meet the need "for better preparing MoPac sales managers and salesmen so that they can compete more successfully in a fast-changing transportation environment.

● **Customer contact.** Planning and preparation for the new programs took a couple of unusual twists. Ducote was named to his new position last July, after more than 20 years in sales work, most recently as general agent in St. Louis. Austin suggested that one of his first moves should be to go on the road—not just to meet with MoPac people but, importantly, to explain program aims and goals to MoPac customers and to get their ideas and suggestions as an aid in developing a "profile" of an ideal traffic representative.

At the same time, MoPac people decided to get some objective assistance from the outside. After checking out a number of consulting organizations, Austin chose a smaller and perhaps-less-well-known company—which had never before worked with a railroad. Transportation Industry Consultants, Inc., of Birmingham, got the job. While their railroad experience was zero, Austin was not concerned—because numbered among TIC's clients have been American Trucking Associations and individual companies in other transportation modes.

TIC people also started out by going on tour—to get a feel for MoPac operations and, like Ducote, to talk with customers. Then, TIC and Ducote, working together, developed the curriculum and the work materials for the initial series of seminars.

● **"Managers should manage."** In these first management workshops, major emphasis was given to motivation—and to developing a greater realization of what "management" means. As Ducote puts it, "Sometimes you find a general agent who regards his job of being that of 'the best salesman in the office.' But we want our general agents to understand clearly that they should be on a sales-management plane."

Management sessions were held at six on- and off-line points, with a final meeting for department heads in St. Louis. And, while these programs were under way, Ducote and TIC were also working on materials for the 1971 series—which will be emphasizing sales techniques. In this series, MoPac will bring its agency heads and traffic reps, in groups of about 20, to a location near St. Louis. Over a five-day period, MoPac will use lectures, training films and a lot of you-solve-the-problem case studies in what Ducote terms "not a re-learning process, but a re-familiarization."

Videotape replay techniques will be used in role-playing situations. It is Ducote's current plan to do a 10-to-15 minute tape of each individual's sales presentation at the beginning of the week—and a second tape at the end, as a means by which a traffic representative can gauge his progress and the value of the workshop to him. Taped presentations may be critiqued by the group, at the individual's option. If he opts out of group assessment, Ducote will do a private critique.

MoPac's manager-sales training is determined that a couple of things will be made clear, in all of this. One is that the meetings are strictly for training—

not for any kind of evaluation of salesmen. A second is that the videotape critiques be used to build up—not to tear down.

● **Something to build on.** Ducote sees these first two series of seminars as just a beginning. Already, he is looking to 1972, and an upgrading of seminar content—probably under similar format. And, at the outset, he brings several pluses to the operation. He has sold MoPac service, and he is thoroughly familiar with MoPac sales organization and procedures. He is continuing his own schooling at the university level, and is nearing a degree in secondary education. And he has solid backing from the top: Austin is at least as enthusiastic as Ducote about the training potential.

Austin points out that the program is intended to serve two purposes: "First, to help the salesman learn and practice successful sales techniques. Second, to help him adopt a more creative and analytic approach in helping the customer deal with his particular distribution problems. The salesman will be presented with typical case histories and asked to determine which of MoPac's multiple transportation and distribution services can be used to help the customer and how MoPac could best adapt itself to the customer's distribution patterns. Obviously, this also means that the salesman must be thoroughly acquainted with all of our services in order to play a significant role as a problem-solver."

Finally, MoPac's new program appears to have the backing of the men who have already been through the first phase. Among the assessments (delivered anonymously, to encourage frankness) of the 1970 seminars:

—This workshop "will enable me to become a better manager, and this will filter down to the people who work with me. The end result: More revenue for our company."

—"It's the first step in getting us to where we need to be as professional sales managers."

—"This gave us a sound basis for overcoming and correcting problems which we have in our agency."

—"It brought up many new ideas which we can put to use. We should have had these workshops many years ago."

—"There has been no program in the past as relevant and practical for our purposes as the workshop just concluded."

—"This program is something that has definitely been needed. It should greatly aid in improving on historic training methods." ■

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Shippers forecast busier New Year

(Continued from page 33)

are bearing the burden of the low rates paid by certain big industries, and so are the railroads."

Arthur C. Ray, general manager of traffic, Pennsylvania Glass Sand, Pittsburgh: "Rail rate increases will definitely serve to channel heavier tonnages to truck movement. Truckers handling our type shipments (truckload—no terminal expenses) have managed, in spite of wage increases, to keep rates under control to the point where rates are substantially less than rail. To compete for our business, rails will just have to face the economic facts of life and become competitive from rate and service standpoints."

● **Service as a determinant.** G. W. Albertson, general traffic manager, F. W. Woolworth Co., New York, said "service and closer attention to total distribution costs" will influence his own company's choice of carriers.

George A. Erath, general traffic manager of GAF Corp., South Bound Brook, N. J., says that "if rail service does not show a considerable improvement, we definitely must look into other modes of transportation."

C. W. Standard, Westinghouse Electric Industrial Production, Pittsburgh: "Railroads need to do something radical (to them) to improve service and car supply *now* or lose business forever."

Other comments relating to service:

O. E. Andersen, general traffic manager, Penick & Ford Limited, Cedar Rapids, Iowa: "The trend of cutting down on operations over national holidays and weekends will cause bunching and slowdowns resulting in further erosion of traffic for want of consistent service."

J. G. Ringleb, traffic manager, transportation services, Kimberly-Clark Corp.: "If the railroads are to continue to haul traffic, they must establish and maintain reliable transportation service. While consistency is very important, improved transit time is always a requisite to meet competitive transportation. We are faced with the necessity of increasing our private carriage and establishing an irregular route service with the truck lines."

R. J. Breitinger, director of traffic and transportation, Westinghouse Electric, Pittsburgh: "As railroads' consistency of service continues to decline, and costs of using rail service continue to increase at a faster rate than other modes, their share of our business will continue to be less each year."

J. Robert Morton, vice president-corporate transportation, Combustion Engineering, Inc., Windsor, Conn.: "We have installed a carrier appraisal program which checks overall carrier time in transit and service . . . This program is designed to help us appraise carriers' performance and aid us in intelligent routing of freight based on performance."

J. A. Rowen, traffic manager of Foremost Foods Co., San Francisco, anticipated a move toward consolidation of corporate transportation functions which are at present decentralized.

"There is more of an awareness of the importance of transportation and need of controls to assure value received for the expenditure of transportation dollars," says Rowen.

R. Bechamp, director of transportation, Diamond Steel & Coal Corp., Montreal, Que., says his company in 1971 will undertake "a better evaluation of the efficiency of the internal administration of the transportation functions and a re-evaluation of the roles played by the various modes." ■

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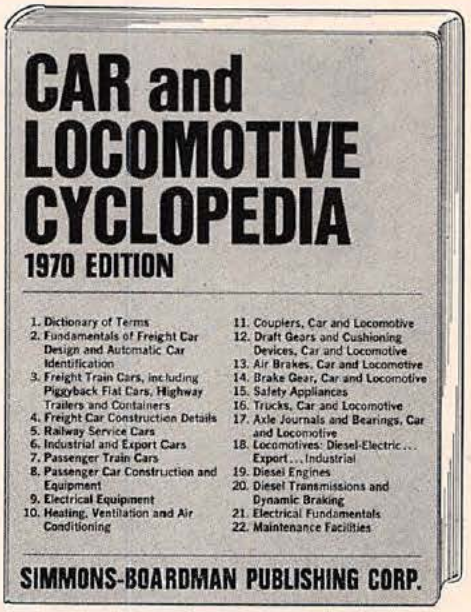
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SCL talks with (not to) its employees

"Each of us had great loyalties to our railroad. Let's keep them. But turn them to Seaboard Coast Line. Because it's our railroad now. Ask your friends and your neighbors and your shippers and your government representatives to make it their railroad, too."

With these words, SCL Vice President Donald T. Martin, as emcee, set the keynote for a series of unusual meetings which the railroad's officers —led by Chairman W. Thomas Rice and President Prime F. Osborne—held recently with thousands of employees in 10 cities up and down the line.

Purpose: To cement the working relationships which employees of two former arch rivals (Seaboard Air Line and Atlantic Coast Line) have had to develop since the two became one in 1967.

Result: Success—perhaps because, as one employee put it after the final "Family Night" get-together in Richmond: "They came to talk with us—not to us."

● **Pointed fun-poking.** Old rivalries do not die overnight—and a series of skillfully-staged skits by a group called the "SCL Players" poked gentle (but pointed) fun at the fact that some employees continue to act as if the merged roads are still locked in mortal combat. (In the ensuing laughter, a lot of rivalries, in one observer's opinion, did bite the dust.)

Sandwiched between the skits were candid state-of-the-railroad reports by its officers. For example, Horace M. Emerson, freight traffic vice president, described some important results of merger: the combined freight revenues of ACL and SCL in 1961 were $271 million; freight revenues of the merged road in 1969 were $441 million.

C. E. Mervine, Jr., vice president personnel and labor relations, discussed people-problems brought about by the merger, and how the company had tried to ease the "natural concern and apprehension" of employees.

Said SCL President Osborn: "Our merger has worked—it is working. You are responsible. It has not been easy. Merging two great groups of people has not been all peaches and cream."

"We have had some rather tough times in the last three years," said Chairman Rice. Recalling the days when a Pennsylvania Railroad paycheck was "as good as a government bond," Rice pledged: "We are dedicated to the solemn promise that if it is humanly possible, the day will never come when your paycheck won't be honored."

Each session ended with a no-pussyfooting question and answer period. Some sample Q&A's from the Richmond session, the last in the series:

Q. Will the Richmond setup be transferred to Jacksonville: (Rice: "There is absolutely no thought of it.")

CHAIRMAN W. T. RICE (right) chats with employees at reception in Richmond.

Q. What effect did Penn Central's collapse have on SCL? (Rice: "Most importantly, it had a depressing effect on the entire industry's ability to borrow money.")

Q. Isn't penny-pinching costing us key employees? (Osborn: "We pay well, and equitably. Obviously, we cannot pay a scientist, for example, what a big chemical company could pay.")

In addition to Richmond, sessions were held in Hamlet and Rocky Mount, N.C.; Florence, S.C.; Miami and Tampa and Jacksonville, Fla.; Atlanta

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The Railway Age

1971 YEARBOOK

Issue date: January 25, 1971.
Advertising closing date: January 11.

INDUSTRIAL TRAFFIC

F. L. Merwin
NITL

A. E. Leitherer
NITL

F. L. Merwin and **A. E. Leitherer** have been elected, respectively, president and vice president of the **National Industrial Traffic League** to serve for the fiscal year ending Oct. 31, 1971. Merwin is vice president of the American Smelting and Refining Co., New York City, and Leitherer is vice president-traffic of Allied Mills, Inc., Chicago.

Donald G. Griffin has been appointed vice president, traffic and transportation, **PPG Industries,** Pittsburgh, succeeding **Stanley J. Hultman.**

Allen E. Kinsley has been named Atlantic Division traffic manager, **Simmons Co.,** New York, succeeding **Joseph P. Wanton,** named fleet supervisor, Atlantic Division.

John C. Wood has been named manager, transportation marketing, Business Products Group, **Xerox Corp.,** Rochester, N.Y. Mr. Wood was formerly account executive, San Francisco branch, where he was responsible for marketing service to rail and motor carriers in the area.

James A. Pierce, traffic manager, **Mississippi Chemical and Coastal Chemical Corporations,** Yazoo City, Miss., has been named director of transportation of these companies. **H. M. McIntosh,** assistant traffic manager, has been named traffic manager.

Dale R. Hamilton has been appointed assistant superintendent, transportation and labor department, Youngstown district operations, **Youngstown Sheet & Tube Co.**

Robert H. Hirschmann, assistant general traffic manager, **F. W. Woolworth Co.,** New York, has been named general traffic manager, to succeed **George W. Albertson,** who will retire Dec. 31, after 47 years of service. **Herbert F. Burkhardt,** regional traffic manager, South Central Region, St. Louis, Mo., will be promoted to assistant general traffic manager at New York. **Sid St. John,** assistant traffic manager, Chicago Distribution Center, replaces Mr. Burkhardt. **Roger Vesey** of the Executive Office in New York, has been promoted to regional traffic manager, Philadelphia, succeeding the late **Joseph J. Toth. Dale L. Lucht,** assistant traffic manager, Central Accounting Office, Milwaukee, Wis., replaces Mr. Vesey.

SUPPLY TRADE

Charles E. Wieser has been elected vice president—finance, **Whitehead & Kales Co.** He was formerly administrative manager, **Touche Ross Co.**, Detroit.

Oregon Technical Products, a division of Textron, has consummated an exclusive license agreement with **Railtron Corp.** Under terms of the agreement, Railtron safety devices will be manufactured and marketed by OTP. In addition to motive power fault isolation systems, OTP is now offering the railroad and transit industry systems for identifying and marking overheated wheel bearings. A dragging-equipment detector also will be marketed.

Dale E. Ogle, assistant to the chairman, **Evans Products Co.,** has been elected executive vice president.

M. M. Murray has been named manager, product supervisors, **Pullman-Standard** plant profit centers.

Acme Urethane Products, San Francisco, has purchased the Marysville, Calif., fiber glass reinforced plastics plant of **Koppers Co. Mel B. McCracken,** Acme president, said his firm would continue to serve customers with the same products that the plant has produced in the past. The plant manufactures interior and door linings for refrigerated rail cars.

DIVIDENDS DECLARED

ATLANTIC COAST LINE.—30¢, quarterly; 5¢, extra, both paid Dec. 15 to holders of record Dec. 1.

CANADIAN PACIFIC.—$1.65, increased, semi-annual, payable Jan 29, 1971, to holders of record Dec. 29, 1970.

CAROLINA, CLINCHFIELD & OHIO.—$1.25, quarterly, payable Jan. 18 to holders of record Jan. 4.

GULF, MOBILE & OHIO.—70¢, quarerly; $1, extra, both paid Dec. 21 to holders of record Dec. 1.

ILLINOIS CENTRAL INDUSTRIES.—28½¢, quarterly; $3.50 Preferred, 87½¢, quarterly, both payable Jan. 1, 1971, to holders of record Dec. 4, 1970.

LOUISVILLE & NASHVILLE.—$1, quarterly; $1, extra, both paid Dec. 14 to holders of record Dec. 1.

MISSOURI PACIFIC.—Class A, $1.25, quarterly, paid Dec. 23 to holders of record Dec. 11.

SANTA FE INDUSTRIES.—40¢, quarterly, payable March 1, 1971, to holders of record Jan. 29; 50¢ Preferred, 25¢, semi-annual, payable Feb. 1 to holders of record Dec. 31.

SOO LINE.—$1.75, payable Jan. 25, 1971, to holders of record Jan 11.

SOUTHERN.—20¢, extra, payable Dec. 28 to holders of record Dec. 7.

SOUTHERN PACIFIC.—45¢, quarterly, paid Dec. 14 to holders of record Nov. 27.

UNION PACIFIC.—50¢, quarterly, payable Jan. 2, 1971, to holders of record Dec. 7, 1970.

WESTERN MARYLAND.—40¢, quarterly, payable Dec. 31 to holders of record Dec. 14.

WHEELING & LAKE ERIE.—$1.43¾, quarterly payable Feb. 1 to holders of record Jan. 8.

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For another chapter, turn the page.

People in the News

Robert J. Dunne, Jr.
Am. Refrig. Transit

J. M. Spicer
CN

Keith E. Hunt
CN

Alan D. DeMoss
SP

ALTON & SOUTHERN.—**Norman L. Coppotelli** appointed general agent, New York, succeeding the late **Robert M. Wagner.**

AMERICAN REFRIGERATOR TRANSIT CO.—**Robert J. Dunne, Jr.** elected vice president and general manager. He was formerly general manager.

CANADIAN NATIONAL.—**W. Douglas Piggott** named assistant vice president, Great Lakes Region, Toronto, in addition to his duties as vice president-operations, **Grand Trunk Western. J. M. Spicer,** vice president of transportation and maintenance, Montreal, appointed vice president, Mountain Region, Edmonton, to succeed the late **D. F. Purves.** Mr. Spicer's successor is **Keith E. Hunt,** general manager, Great Lakes Region, Toronto.

SOUTHERN PACIFIC.—**Alan D. DeMoss,** general purchasing agent—system, named vice president-purchasing, San Francisco.

John M. Stricklin appointed superintendent, damage prevention and loading services, Texas and Louisiana lines and St. Louis-Southwestern, Houston, to succeed **Earl W. Wood,** who retired Oct. 31 after 47 years of service.

TORONTO, HAMILTON & BUFFALO.—**James A. McDonald** named president, succeeding **Alfred E. Perlman,** who became president, **Western Pacific** on Dec. 1 (RA, Oct. 26, p. 8). Mr. McDonald is also vice president—staff, **Penn Central.**

UNION PACIFIC.—**Vernon G. DeBar,** assistant treasurer, New York, named to the newly created position of director, credit and collection, transportation division, Omaha.

WESTERN RAILROAD ASSOCIATION.—**Ed White,** general solicitor, named general counsel, to succeed **James W. Nisbet,** who retires Dec. 31. Mr. White's successor is **Joseph D. Feeney. Thomas A. Phemister** appointed general attorney.

OBITUARY

A. R. Harris, 73 retired engineer of bridges, **Chicago & North Western,** died Dec. 6.

Edward J. Scahill, 66, retired assistant comptroller, **Rock Island,** died Dec. 8 at his home in Oak Lawn, Ill.

Hugh B. Siddall, 59, chairman, **Trans-Continental, Western and Southwestern Railroad Passenger Assn.,** died Dec. 16 in Evanston Hospital, Evanston, Ill. Mr. Siddall was also chairman, **Interterritorial Military Committee,** the **Rail Travel Promotion Agency** and the **Rail Travel Credit Agency.**

Jay V. Westcott, president and treasurer, **Du-Wel Steel Products Co.,** Chicago, died Oct. 25.

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ACF INDUSTRIES

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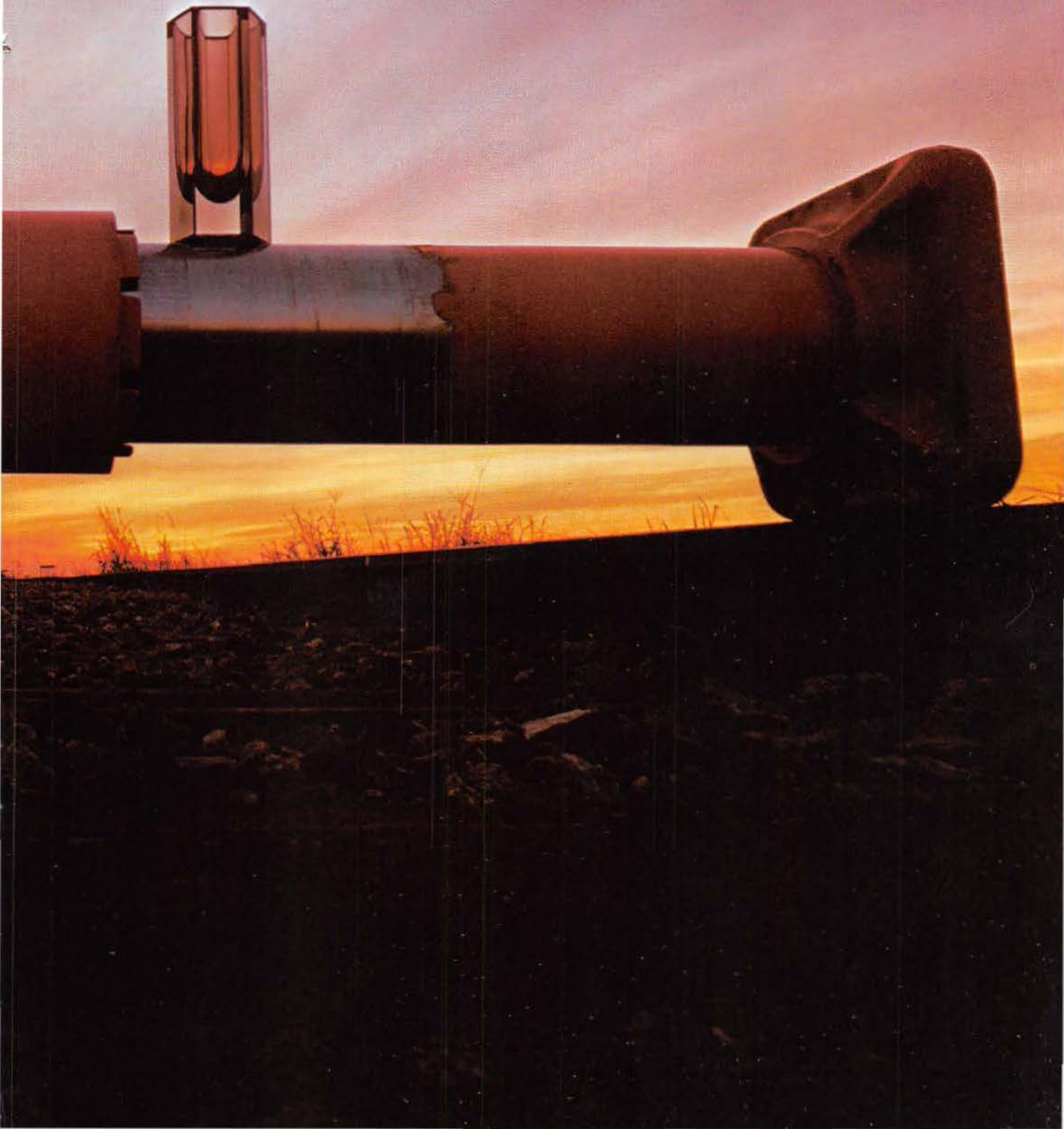

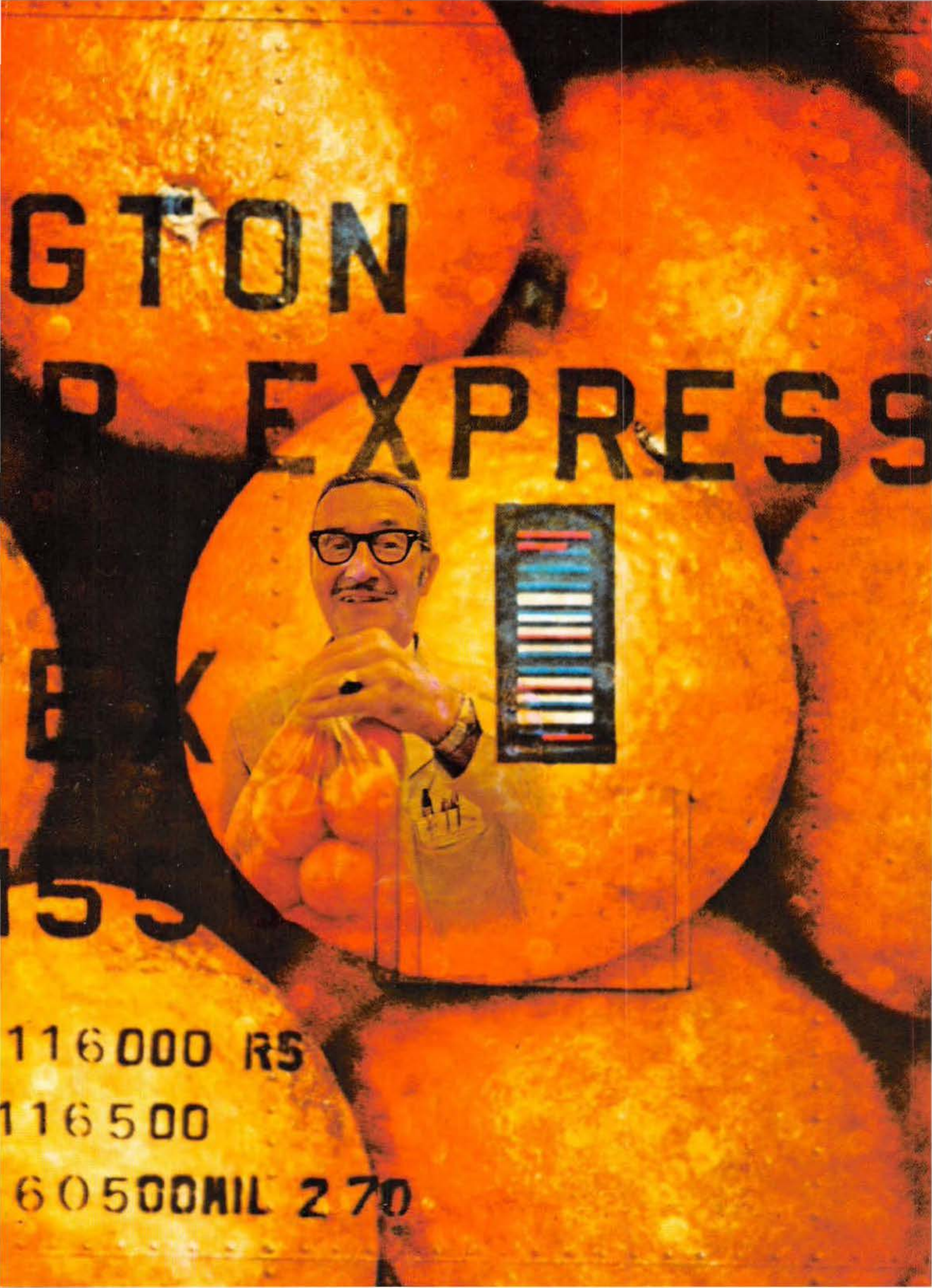
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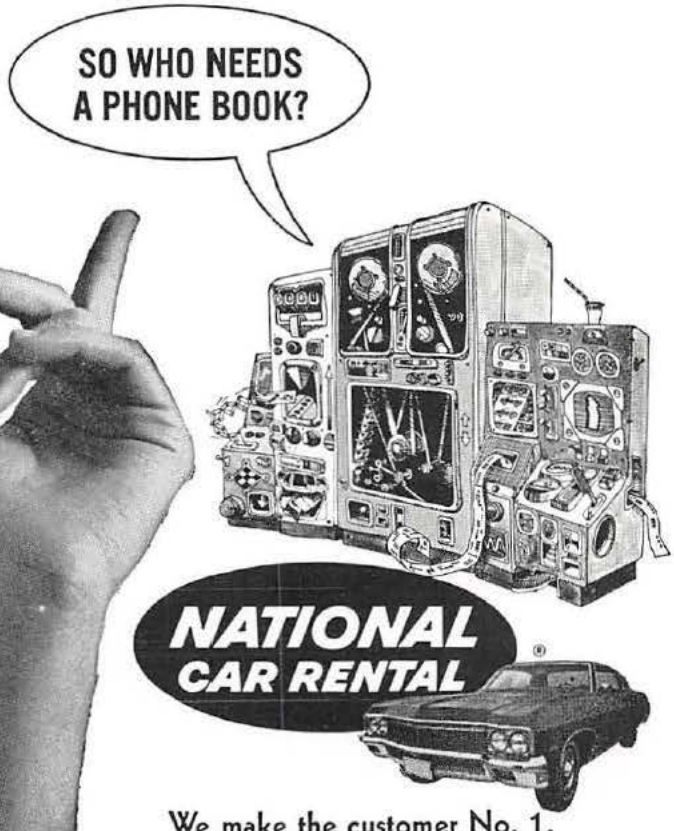

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Here are some of them:

- We have completed and opened Buckeye Yard, near Columbus, Ohio, our sixth electronic classification yard.
- We are simplifying our organizational structure to cut out duplication and waste.
- Management of railroad operations has been divided into lines East and West, each with supervision over three regions.
- A top officer is now in charge of yards and terminals, to expedite service and break bottlenecks.
- We are cutting down the backlog of locomotives and freight cars awaiting repair.
- We are arranging to get 137 new locomotives.
- Our Regional General Managers have been relieved of many collateral responsibilities, so that they can concentrate on operations and transportation.
- We are making a special drive to reduce loss and damage, vandalism and other mishaps to your shipments.

And we have a lot more coming. During 1971, we plan to repair and upgrade over 20,000 freight cars and get some 7,500 new ones to carry the increased traffic we expect to win. We want to add 231 new locomotives, and upgrade an additional 38 units.

We've got a lot going for us and a lot to work with. And we'll use every bit of it to provide first-rate service.

We're determined to restore your confidence and earn the privilege of carrying more and more of your shipments.

As Bill Moore says, "Penn Central is a revitalized railroad. Give us your business and we'll prove it." And that's a promise.

PENN CENTRAL TRANSPORTATION COMPANY

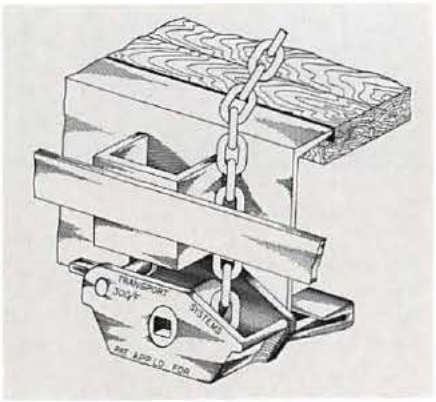
New Products Report

Piggyback trailer (RA-1)

This new open-top van is designed specifically for piggyback service and for handling highly-concentrated loads such as coil steel, castings and machinery. Some of the van's key features are: (1) captive-type bows; (2) newly-designed locking pin for the shiftable tandem; (3) heavy-duty P-3 flatbed frame with two 19-ft I beams; (4) built-in lift pads; and (5) rust-resistant 16-gauge steel sides. *Trailmobile.*

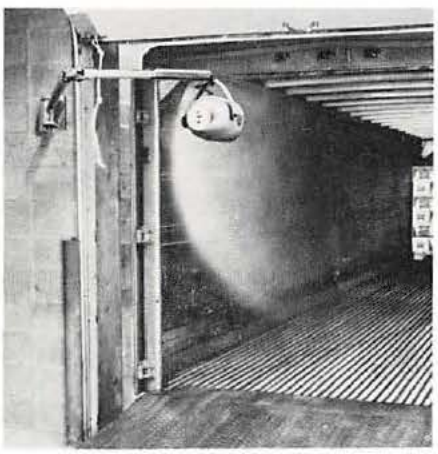
Car mover (RA-2)

A push-button-operated device, the Hydraulic Car Mover (HCM), has a 45,000-lb pushing capacity and is installed on ties at the loading point, requiring no excavation or foundation. The movers are used by Cargill, Inc., for loading grain in covered hopper cars. A yard locomotive places a dozen or more cars at the loading site. The locomotive operator then moves to the top of the first car where he directs the loading chute to the various compartments. He uses the push button to move each car under the chute. Movement is by means of heavy-steel-yoked pusher dogs that bear against the car's truck side frames. Forward motion is produced by hydraulic cylinders, involving selective stroke to accommodate varying car lengths. Power unit is a totally enclosed pump, motor and oil reservoir. *Nolan Co.*



Trailer winch system (RA-3)

An adjustable winch-chain system for platform trailers attaches to, and adjusts along, the trailer side rail. Longitudinal positioning is accomplished by passing the chain either next to or through the trailer stake pocket. Substantial savings are said to result through elimination of load binders as well as from prevention of theft of chains. The system's winch has 12 in. of incremental take-up, about three times that of binders. The winch is designed for installation on both new and existing trailers. *Transport Systems Co.*



Loading lights (RA-4)

Four Loading Lights with single, double, extra-long double, and triple arms are designed for illuminating loading and unloading operations in freight cars and trailers. The rugged, all-steel units mount up away from traffic and are easily installed.

Long, adjustable arms make it easy to direct the extra-wide beams in cars and trailers so there should be no dark spots. The heavy spring-mounted housing of the Loading Light is designed to deflect on impact, minimizing damage

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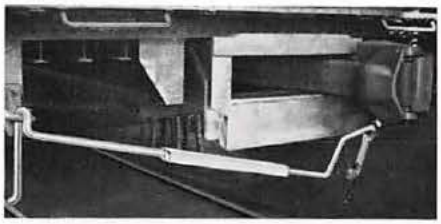
to housing and support arms if they are struck. *Kelley Co.*



Uncoupling lever (RA-5)

The Model HC universal uncoupling lever is designed for hydraulic cushioned cars, adjusts to accommodate a sill travel from 7 in. up through a maximum of 30 in. Its design and low position eliminate a high percentage of "passed coupler" damage, and it is said that this design can save up to 30% of uncoupling lever costs. Installation time is reduced by as much as 50% with the Model HC, which is designed so as to replace as many as 16 different uncoupler styles. *Holland Co.*

Hydraulic safety unit (RA-6)

Hydropneumatic accumulators which compensate for leakage and prevent "hydraulic creep" when loading units are not in operation are important components in a fully automatic tank car loading system.

To load the cars, the automated system uses hydraulically operated filling "lances" that are moved vertically and horizontally by hydraulic cylinders and are stowed in their top position. The accumulators are installed in the hydraulic circuit to compensate for internal or external leakage during prolonged periods when the system is pressurized, but not in operation. This safety feature serves to hold the lances in a fixed position. *Greer Hydraulics.*

Radio coverage (RA-7)

With the TAC (Total Area Coverage) two-way radio communications system, personnel equipped with portable radios will be able to communicate directly with their control center from anywhere within a city, railroad yard, industrial complex or other large area.

The system includes satellite receivers at strategic locations throughout the area, and a comparator at the communications control center. The comparator automatically, within 50 milliseconds, selects the strongest signal from a satellite receiver and relays only that signal to the control center, thus assuring consistent coverage throughout the area. *Motorola Communications & Electronics Inc.*

PCM microwave (RA-8)

The MCS 6900 is a new 100% solid-state microwave multiplex system using pulse code modulation. The MCS 6900 has a capacity of 120 voice channels expandable channel-by-channel.

A feature of the MCS 6900 is that unrestricted baseband access up to the full capacity of the system is available at all repeaters. Each voice channel can accommodate as many as 56 teletypewriter channels—or a combination of teletypewriter, data transmission or supervisory channels. Direct digital interface is provided for up to eight 2,400 bits-per-second data channels per voice channel. *Canadian Marconi Co.*

NEW LITERATURE

TANK CAR/TRUCK HANDLING. A 16-page manual describing tank construction and facilities for tank car and tank truck handling of Eastman acids and anhydrides has been issued by the Industrial Chemicals Division of Eastman Chemical Products. (NL-1)

LOCOMOTIVE/CAR CABLES. A new line of single-conductor locomotive and car cables rated 600 and 2,000 volts is described in a brochure from General Electric's Wire and Cable Department. (NL-2)

RAILROAD ENGINEERING is the title of a new booklet issued by Thomas K. Dyer, Inc. Its contents cover the firm's capabilities and experience in both transit and railroad engineering. (NL-3)

WEED CONTROL. Three new fact sheets from CIBA-Geigy Corp. discuss weed control around such industrial areas as railroad and utility yards and right-of-way. (NL-4)

RAILCAR MOVER. Whiting Corp. has issued a new bulletin on its 5TM model Trackmobile. Illustrated with photographs, the bulletin includes complete specifications, a table of performance and dimensions. (NL-5)

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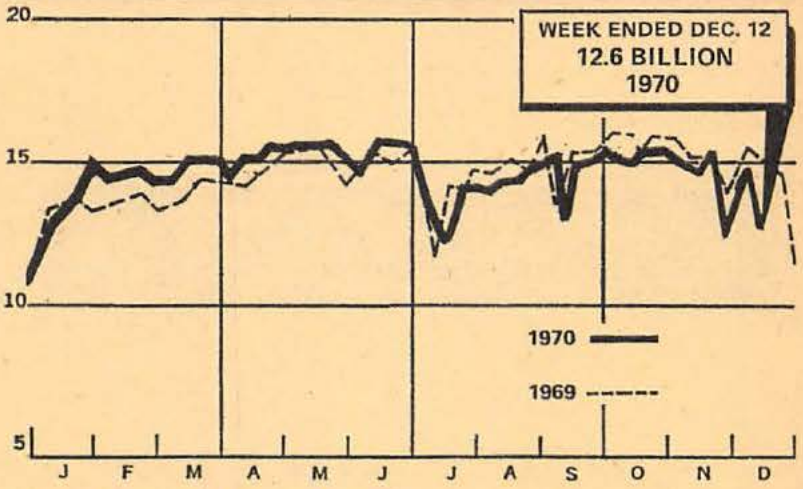
BILLION TON-MILES (Estimated)



Source: Association of American Railroads

Piggyback trailers and containers terminated by plan

Class I railroads—1969 and 1968

(thousands)

	Number terminated		Per Cent Change 1969/1968	Per Cent Terminated	
	1969p	1968		1969	1968
Plan I	256.8	276.0	− 7.0	14	16
Plan II	694.5	657.6	+ 5.6	37	37
Plan II ½*	565.2	462.5	+22.2	30	26
Plan III	145.0	169.3	−14.4	8	10
Plan IV	143.5	131.6	+ 9.0	8	8
Plan V	58.4	57.2	+ 2.1	3	3
Other	172.9	141.0	+22.6	—	—
Total	2,036.4	1,915.2	+ 6.3	—	—

p Preliminary. *Includes Plan II ¼. Because of rounding, all columns may not add to totals.

Source: Summary of individual carrier reports to ICC.

SHIPMENTS OF RAILROAD STEEL PRODUCTS

(OCTOBER AND 10 MONTHS 1970)

	NET TONS			
	October	Per Cent Change*	Ten Months	Per Cent Change*
Rails, trackwork and equipment	64,390	-1.4	881,818	1.0
Freight and passenger cars and locomotives	125,345	-33.1	1,675,153	-12.4
Street railways and rapid transit systems	4,781	-7.0	39,827	-13.6

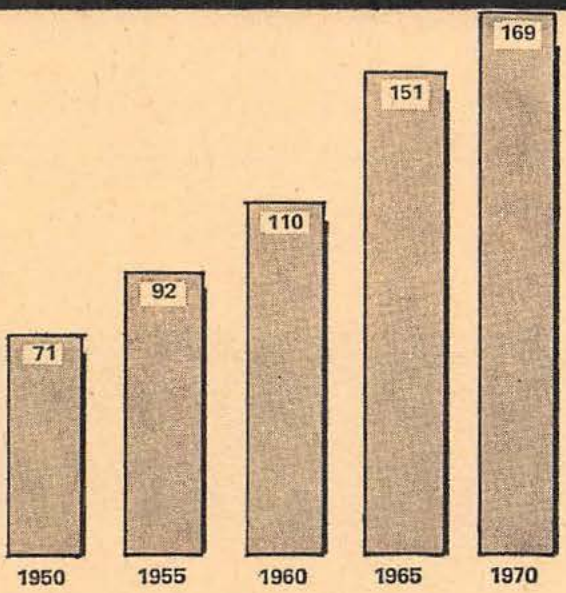
*Per cent change compares 1970 periods with like 1969 periods.

Source: American Iron and Steel Institute.

INTERCITY TRUCK TONNAGE INDEX*

Second Quarter

Class I and II motor carriers

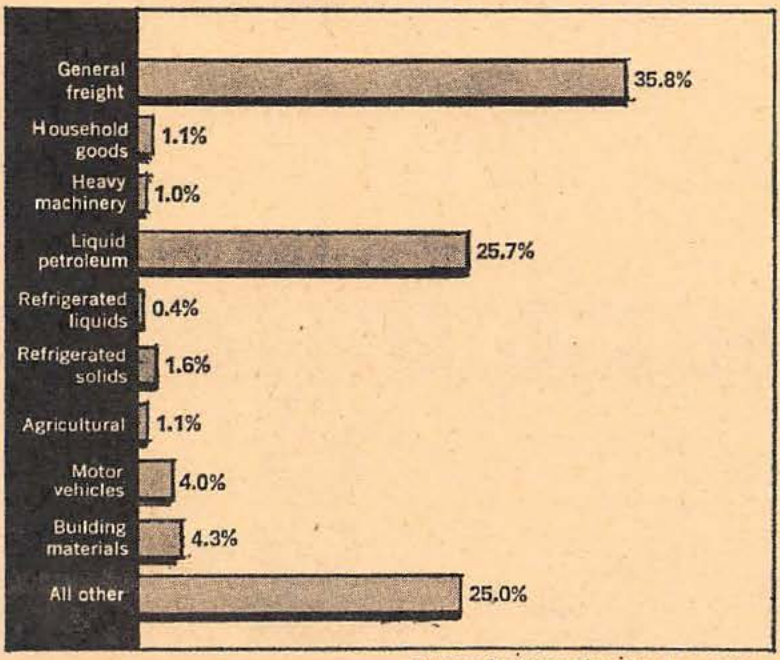


*Average second quarters 1957-1959 = 100.

Source: American Trucking Associations.

INTERCITY TRUCK TONNAGE BY COMMODITIES

All carriers, second quarter 1970. Total tons: 143,944,208



Source: American Trucking Associations

Market Outlook

CARLOADINGS

Loadings of revenue freight in the week ended Dec. 12 totaled 447,859 cars. This was a decrease of 15.3% below the previous week and 18.3% below the corresponding week last year. Ton-mills generated by carloadings in the week ended Dec. 12 are estimated at 12.6 billion, a decrease of 16.2% below the corresponding week of 1969.

REVENUE FREIGHT CARLOADINGS

Commodity	Dec. 12 week	Dec. 5 week
Grain	23,597	30,949
Farm products	21,025	25,047
Metallic ores	21,561	26,629
Coal	94,788	113,805
Crushed stone, gravel & Sand	22,547	26,621
Nonmetallic minerals	7,941	9,881
Grain mill products	16,909	20,029
Food & kindred products	21,091	25,066
Primary forest products	22,773	25,777
Lumber & wood products (except furniture)	11,696	13,119
Pulp, paper & allied products	19,821	22,445
Chemicals & allied products	22,293	26,408
Petroleum products	8,881	10,613
Stone, clay & glass products	15,938	18,627
Coke	8,374	9,593
Metals & products	19,534	22,590
Motor vehicles & equipment	18,641	18,002
Waste & scrap materials	11,659	12,858
Forwarder & shipper assn. traffic	4,570	5,679
All other carloads	53,742	63,856
LCL traffic	478	708
Total cars loaded	447,859	528,302

CUMULATIVE TOTAL, 50 weeks	1970	1969	1968
	26,248,168	27,315,614	27,368,108
Estimated revenue ton-miles (billions) 50 weeks	735.2	742.3	721.0

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended Dec. 5 totaled 23,061 cars (4.2% below the corresponding week last year) and 36,766 trailers or containers (down 6.0% from 1969). Cumulative volume for the first 49 weeks of 1970 is 1,204,840 cars (5.4% below the 1969 total), and 1,978,493 trailers or containers (down 5.6% from 1969).

IN CANADA

9 days ending	Revenue Cars Loaded	Cumulative Totals
Nov. 30, 1970	90,897	3,569,839
Nov. 30, 1969	85,711	3,349,724

CAPITAL EXPENDITURES

● *Louisville & Nashville.* Directors authorized a $45.5-million capital investment program for 1971. Additions to the program are anticipated. The initial plan calls for acquisition of 1,818 new freight cars at a cost of $28 million, including 1,000 open-top hoppers, 445 covered hoppers, 300 box cars, and 57 wood chip cars; and 70 diesel-electric locomotives at a cost of $17.5 million (60 road units and 10 switchers). In addition, 835 cars will be rebuilt at the South Louisville shops at a cost of $10 million; and 321 cars will be shopped for various modifications.

● *Missouri Pacific.*—Has so far budgeted $40.6 million in capital improvements for 1971; the program will be expanded if business conditions are favorable. MP's 1970 capital budget will amount to around $56 million.

● *Soo Line.*—Equipment program for 1971 will involve acquisition of motive power and freight cars valued at approximately $12.9 million. Directors have approved acquisition of seven 3,000-hp, six-axle diesel-electric units; 120 70-ton insulated box cars equipped with moveable bulkheads; 100 70-ton box cars equipped with plug doors; 50 100-ton open-top triple-hopper cars; 50 100-ton high-side gondolas; and 10 90-ton covered gondolas. Earlier, Soo announced orders for 300 high-cube covered hopper cars to be built by Thrall Car and acquired under 15-year lease (RA, Nov. 9, p. 65).

FREIGHT-TRAIN CARS

● *Grand Trunk Western.*—Will acquire 74 89-ft, 4-in., low-deck auto-rack cars for delivery in January. Cars will be built by Pullman-Standard; racks will be installed by Whitehead and Kales.

LOCOMOTIVES

● *Grand Trunk Western.*—Will acquire 12 2,000-hp GP38DC diesel-electric units from EMD, with deliveries scheduled for completion in February 1972. Units are valued at approximately $3 million.

NEW FACILITIES

● *Pacific Motor Trucking.*—This Southern Pacific subsidiary will build a new terminal at Sacramento, Calif., at a cost of $2.2 million. Included in the layout will be an office building, connecting truck terminal, two maintenance shops, a service station and a team track. The terminal, to be equipped with a towveyor system, will have Teletype and microwave connections with other points in the seven-state PMT system. Facilities will also be provided for consolidation of LTL shipments for two other SP subsidiaries. Southern Pacific Air Freight and Southern Pacific Marine Terminals, Inc.

Viewpoint

For the unions a "victory" —but at what cost?

When members of four rail unions walked off the job at a minute after midnight on Dec. 10, their action was absolutely legal. But at 2:10 a.m., President Nixon signed legislation ordering an end to the walkout. At 3:17 a.m., a Federal judge issued a temporary restraining order requiring the unions to tell their people to go back to work. At that point, the strike was a violation of the law of the land; its continuation went against a Federal court order. Yet the strike did continue.

To their credit, leaders of three unions issued back-to-work instructions at about 5 a.m. But leaders of the fourth organization, the Brotherhood of Railway and Airline Clerks, maintained their walkout through the day and into the evening. In the end, rule-of-law triumphed—sort of. For those who value the law and the orderly democratic process, however, the whole strike situation was scary.

By almost any measure, Congress did little to enhance its reputation as a great deliberative body. All year, it had ignored a Presidential proposal for labor-law change. Faced with a for-sure crisis, Congress still dallied. Final action came only after the strike was under way. And it came in a form that staggered both rail management and observers of the democratic governmental process. Principle and precedent said that government does not legislate its own settlements for private-industry disputes. But that's precisely what government did—and in a totally one-sided way. Scary.

In its recent ventures into rail labor/management affairs, Congress had taken one of two routes. Twice, most notably in the work rules dispute, Congress ordered arbitration by a panel of outsiders. Once, in the 1970 shopcraft wage crisis, it imposed a settlement already agreed upon by management and union negotators. This time, the lawmakers broke new ground—new and perhaps most dangerous ground.

UNIONS' BLESSINGS ARE NOT UNMIXED

With the help of Congress, the organizations got all the good and none of the bad out of the recommendations of Emergency Board 178. They got the proposed 1970 wage increases, and they came off scot-free on the work-rule changes which the board also proposed. At the same time, their blessings are not unmixed. Whatever reservoir of goodwill the unions had may have been drained by (1) their free-swinging pre-strike militancy; (2) BRAC's refusal to call it off even after action by Congress, the President and the courts; and (3) the Congressional action itself, which had to violate the average citizen's sense of fair play.

Internally, the unions may have problems of a different sort. Pre-strike activity demonstrated less-than-total solidarity—with BRAC grabbing headlines with tough-talk and the others sounding almost mild by comparison. Internally, too, one or more of the organizations may have created for itself serious leadership problems—with a basic question developing as to the continuing ability of duly-elected leaders to effectively lead. For management, government and labor, sum it all up in a word: Scary.

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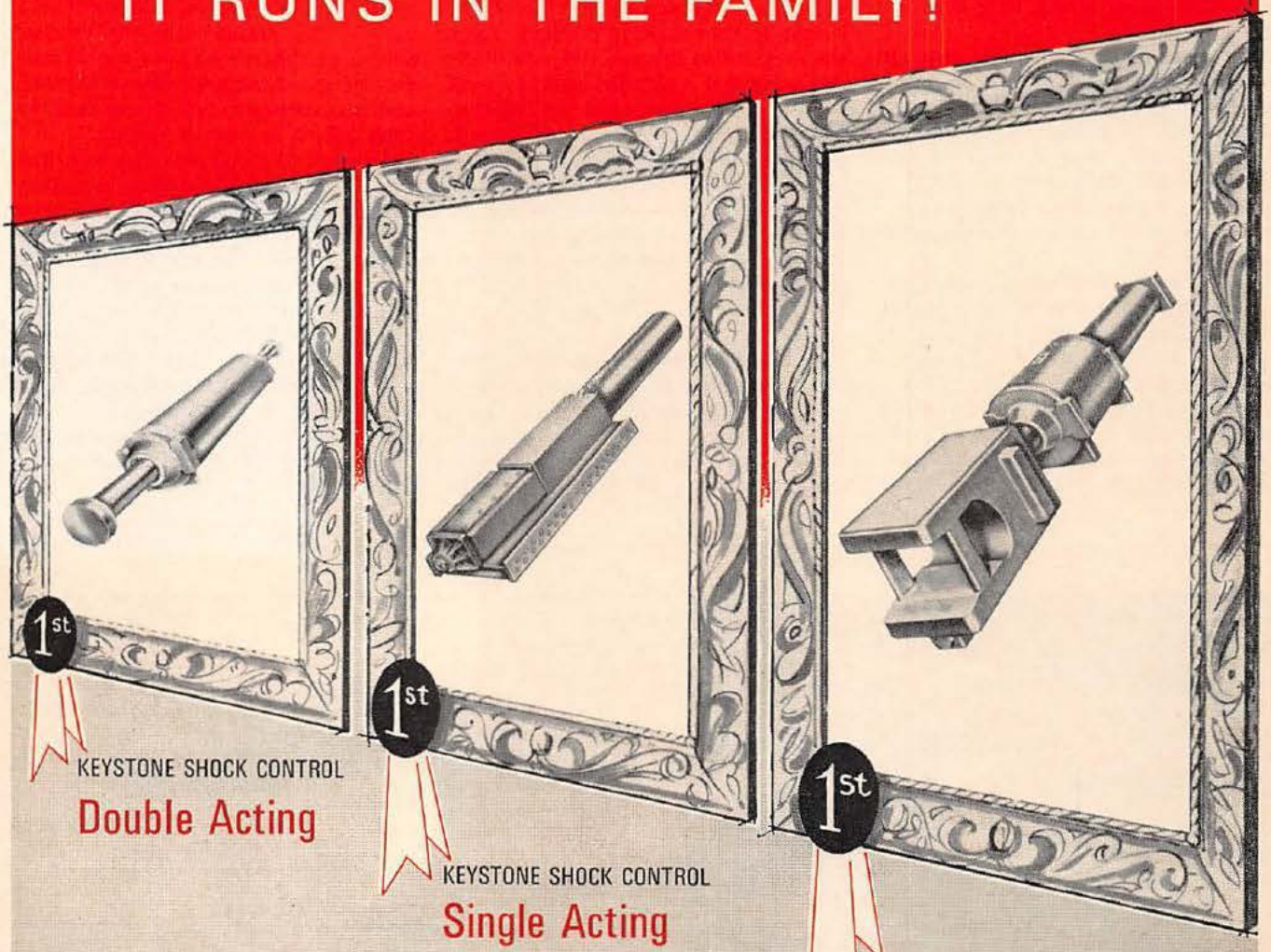

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Circle 24 on coupon page 67

Why Ralston Purina needs railroads

(Continued from page 35)

have the influence it once had. With Ralston Purina plants in every section of the country, RP people are also active in the regional shippers advisory boards. Johnson does not discourage this kind of participation—but it has been a long time since he has attended a shipper-board meeting, and he doesn't deny a belief that up to this point the shipper boards have been less than effective.

● **The thought-and-action gap.** In dealings with railroads, Johnson expresses a certain frustration at the fact that actual performance frequently does not match what top railroad people say they want it to be. As he phrases it, "It's so hard to get action—even when top management wants action."

On specific—and broad—problems, Johnson takes a somewhat tougher line. He talks about car utilization—and the related problem of demurrage—in these terms: "Railroads blame shippers and receivers for delays in loading and unloading. But if we had reliability of service, many of these delays wouldn't happen. After the first couple of levels of demurrage, we don't particularly worry about the charges. But, you know, we would like a definition of what is 'reasonable dispatch' in railroad service. And it would seem to us that a railroad ought to be liable for a certain charge if it does not meet a reasonable schedule in its delivery of a car."

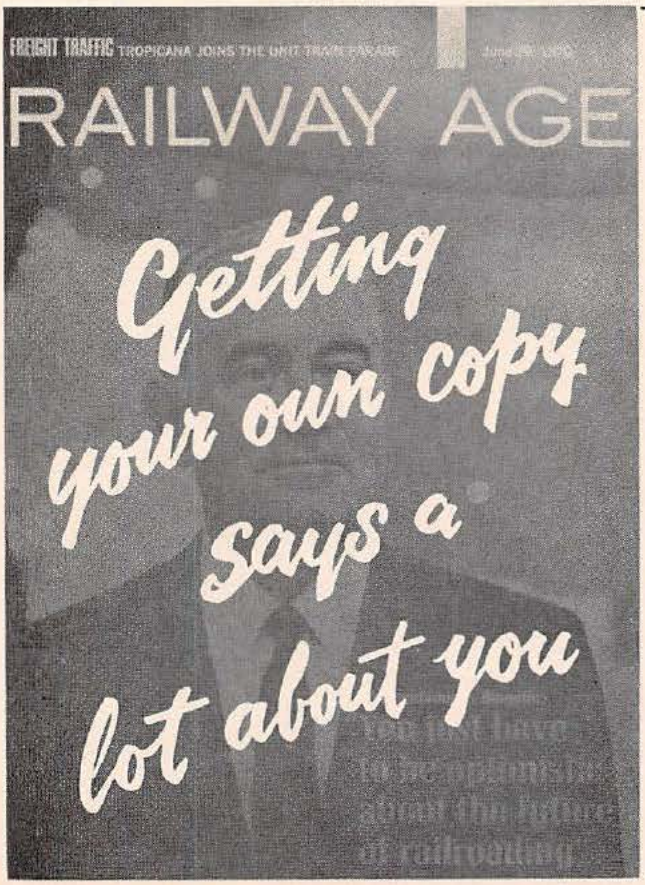
He is equally firm in discussing certain loss-and-damage policies—including the problem that arises when a road arbitrarily restricts payment to 50% of the claim if official weights are available from origin and destination, 25% if weights are available from one source, and nothing at all if no official weight is known. RP's position, Johnson says, is that this is a violation of the Act—and that a railroad can't, by tariff or in any other way, evade its responsibility in paying claims. Condition-of-equipment is another sore point. Much of the problem with bulk materials stems from loss of lading between the walls of a car. Railroads have been instructed to close-off car interiors, Johnson says, but many cars placed for loading still have linings which are open at the top.

● **Flexibility in plant location.** With the tremendous growth experienced by Purina during the '60s and with the expansion forecast for the '70s, transportation service factors can only become more vital—first of all, in the basic decision as to where to locate new plants.

From all indications, the company is committed to the policy of building many small plants rather than a few big ones. Insofar as possible, RP tries to choose locations where it is not locked into a one-railroad service situation. But, Johnson observes, this is becoming increasingly difficult.

RP tries to stay flexible in its plant-location work—but there is one firm rule. As Hjal Johnson puts it, "We've told our people that, if they need rail service, under no circumstances are they to put a new plant on a branchline—even if the president of the railroad tells us that there's no intention whatsoever of abandoning the line. Situations, and managements, can change and we can't afford to take a chance."

Johnson, as it happens, has seen Ralston Purina operations from a variety of viewpoints—including that of a plant manager. He has been in traffic since 1956, the past decade as top traffic man. Earlier this month, as he gloomily pondered the implications of a then-impending rail strike, Hjal Johnson summed it all up: "Three days without railroads, and this country would be in the worst mess you ever saw. Do we need railroads? You bet we do—and we're going to need them even more." ■



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WORLD REPORT:

AUSTRIA: Four Swedish-built ac thyristor locomotives are to be tested by Austrian Railways in 1971 to gain experience on the influence of thyristor power control on electric signalling apparatus.

BRITAIN: A new $600,000 laboratory for testing British Railways' 150-mph Advanced Passenger Train and other new high-speed passenger and freight rolling stock has been opened. Stability and riding tests will be carried out on the laboratory's huge roller test rig, which is capable of simulating speeds up to 200 mph.

FRANCE: Automobile-carrying trains of the French National Railways (SNCF) transported 400,280 passengers and 163,401 autos during 1970—an increase of 21% over the previous year. Since the creation of SNCF autoservice in 1957, traffic has more than doubled.

● Over 4,500 glued insulated joints have been used on SNCF tracks as part of a six-year testing program organized by the system's track studies and research division. Their performance appears to be satisfactory, delegates were told at the 1970 conference of the French Rail Assembly in Paris. But in spite of the simplified design (fish plates with four holes instead of six) or improvements in production methods (use of laminated-steel fish plates instead of machine-finished steel), cost of the glued joint is still too high compared to the standard insulated joint, reported Andre Prud'homme, head of SNCF track studies. This has restricted widespread use, the conference was told. The system's chief advance is its ability to join rails to manganese steel crossings which cannot be welded at all.

GERMAN FEDERAL REPUBLIC: A passenger express locomotive is being operated between Hanover and Hamburg as part of extensive tests by the German Federal Railway (DB) into full automatic train control. The unmanned locomotive receives control signals via track induction equipment from DB's cybernetic center in Hanover.

● Krauss-Maffei has unveiled models of high-speed trains which, if developed, will travel at 325 mph, cutting the Munich-Hamburg rail journey, for instance, from 10 to two hours. The company has so far produced two designs, both of which would use an elevated track about 20 feet from the ground. Both would be propelled by linear induction motors, but one would run on air cushion and the other would be levitated in an electromagnetic field. If sufficient financing is available, it is proposed to have trains in service by the mid-'70s. Krauss-Maffei is seeking Transport Ministry participation in the project, since development costs could rise to an annual $80 million in the next few years.

ISRAEL: Israeli Railways' freight-traffic volume increased by roughly 50% during the 1969/70 fiscal year—but 53,000 fewer passengers travelled by train (4,007,000) and the operating deficit rose from 1967/68's $2.24 million to $2.3 million. "With tariffs fixed by the government without regard to actual operating costs, and passenger revenue covering only 57% of service costs, the increase in the annual deficit was inevitable," said General Manager Abraham Zwick.

EAST EUROPE: The next five years should see dramatic improvements in railway transport in East Europe. By 1975 steam traction, though not eliminated everywhere, will be well on the way out. This is clear from details of the new five-year (1971-75) plans of the COMECON (Council for Mutual Economic Aid) countries, revealed in a series of interviews with leading railway officers.

In almost every case, spending on railway modernization and development will be significantly higher than during the five-year plan period now ending. Most significant advance will be made in Poland, where spending will be 50% higher than during 1966-70. Czechoslovakia is allocating 20% more, Hungary 20% more and Bulgaria 15% more.

Probably the most important single problem faced by all the COMECON countries is the chronic shortage of freight cars. This is reflected by Polish State Railways' decision to purchase 58,000 new cars—20,000 more than during the present plan period.

SOUTH AFRICA: Important new spending programs and big new orders for locomotives and rolling stock have been announced by South African Railways. They represent a total investment of $170 million and should yield substantial improvements.

One program, worth $112 million, provides for construction of two new ring lines around Johannesburg, and for improvements in the crowded service between that city and Soweto—which daily carries up to 213,000 African commuters working in and around Johannesburg. The new electrified lines will be partly underground.

The other program provides for purchase of 100 main line diesel-electric locomotives, 3,000 ore cars, 1,000 general purpose box cars, 400 container cars, 52 auto-carriers.

General Motors is to build 50 diesel-electrics of the type GT 26. Delivery is scheduled for June/August of 1971. The other 50 locomotives will be supplied by South African GEC and will be of the basic type U-26-C. GEC already has an order for 75 similar units; delivery starts in mid-1971.

TRANSIT: Heathrow airport is to be linked with central London by subway despite strong representations by British Railways. Following the government decision, London Transport commented: "Tenders for construction will be invited immediately Greater London Council authorizes work to begin. It is hoped that work will start three months later and be completed in 1974." The link will be formed by extending the Piccadilly Line from Hounslow West.

● Total length of Moscow's subway is now over 80 miles with opening of a new line linking city center with housing estates in the southwest.

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